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NEWS SUMMARY

GENERAL

Polish hunger protest strike call

Almost a million members of Solidarity, the independent trade union, are expected to take part in a two-hour strike in and around Warsaw today.

The strike call, in protest at food shortages, came as lorry, bus and tram drivers maintained their protest traffic jam in the city centre.

There are to be Government-union talks tomorrow on food supplies and the economic crisis and the Communist Party's central committee meets on Saturday. Back Page; Picture, Page 2; Japan may sell rice to Poland, Page 2

Soviet official expelled by UK

A second secretary at the Soviet Embassy in London, Mr Victor Lazin, was told to leave the country within seven days. The Foreign Office said Mr Lazin's activities were "incompatible with his status as a diplomat."

Urban initiative

Mr Michael Heseltine, Environment Minister, asked 29 of the City's institutions to lend the Government a manager for a year to work on the UK's urban problems. Back Page

Funeral volley

The Provisional IRA fired three volleys of rifle shots as the coffin of Maze prison hunger striker Kieran Doherty left his home.

Alps death fall

Three British climbers were killed in a fall while descending the Matterhorn peak in Switzerland.

Inquest ruled out

There will be no inquest on Helen Smith, the British nurse who died at a party in Saudi Arabia in May 1979, a West Yorkshire coroner announced.

'Misconduct' move

Dr Gordon Kells, cleared by a jury of unlawfully killing a patient being treated for warts, was reported to the General Medical Council by the dead man's sister.

Mother's appeal

Paulette Moray appealed to the public for help in finding her two children, taken into hiding at the weekend by their father, a Mayfair jeweller.

Footmen 'cavers'

Two Royal footmen stole explosives for use in caving, a court was told. The theft had no connection with Royalty.

Blaze heroes

The Fire Brigade praised seven youngsters from Batemore, Sheffield, for their quick thinking in dealing with a house on fire.

Mandela honour

Black African nationalist Nelson Mandela, in prison in South Africa since 1962, received the freedom of the City of Glasgow.

Fees 'curb study'

The rising cost of studying with the Open University may be putting applicants off and preventing students continuing. Page 7

Poet crowned

Sion Aled of Aberystwyth, 24, former secretary of the Welsh Language Society, won the bardic crown at the Eisteddfod.

On the scent

Police are hunting thieves who stole a new £2,500 cesspool from a farm near Maidstone, Kent.

Briefly . . .

Mike Oldfield, the recording artist, is suing Virgin Records for £1m.

Heatwave hit Yugoslavia, sending temperatures up to 42°C (108°F).

BUSINESS

Gilts off by 0.16; equities steady

● **GILTS** traded thinly but reflected disappointment in banking statistics for last month. The Government Securities index eased 0.16 more to 63.69. Page 24

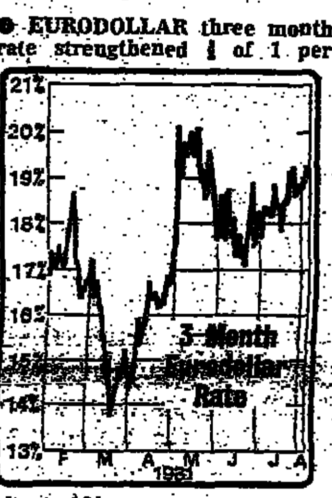
● **EQUITIES** held steady with investment interest low. The FT 30-share index edged a further 0.3 up at 528.6. Page 24; July SE turnover, Page 7

● **UK MONEY SUPPLY:** M3 rose about 2½ per cent in the month to mid-July, a larger than expected jump. Back Page; Editorial Comment, Page 14

● **STERLING** shed 65 points to $1.7940, also easing to DM 4.5475 (DM 4.55) and to FFr 10.7975 (FFr 10.8050). Its trade weighted index was 91.4 (91.5). Page 21

● **DOLLAR** improved to DM 2.5350 (DM 2.5260), SwFr 2.2060 (SwFr 2.1970) and Y246.1 (Y245.4). Its trade weighted index was 114.9 (114.8). Page 21

● **EURODOLLAR** three month rate strengthened ⅛ of 1 per cent to 19⅛ per cent in response to a continued rise in U.S. interest rates. Money markets, Page 21



● **GOLD** fell a further $2 to $390 in London. Page 21

● **WALL STREET** was off 3.52 at 942.73 near the close. Page 22

● **MOBIL** raised its bid for Conoco from $115 to $120 a share, after Du Pont raised the cash portion of its offer from $95 to $98. Anti-trust hurdle cleared, Page 18

● **SPECIAL STEELS** industry must stabilise, failing which expansion into the sector by BSC should not be restricted, the Warner report says. Back Page; Doomsday message, Page 14

● **BL CARS** union leaders are expected to urge pay claims for an increase of about 17 per cent. Page 8

● **VICKERS** Defence Systems of Tyneside won a £50m to £60m Nigerian order for battle tanks. Page 6

● **HONG KONG** site will be sold for a world record HK$2.8bn (£254.95m) to a local consortium planning a hotel. Page 20

● **SAVOY HOTEL** east wing will be redeveloped by London and Leeds Investments, part of the Ladbroke group, to provide offices and apartments. It will pay £7.25m for a 999-year lease.

● **PEMEX**, Mexico's state petroleum monopoly, announced a pricing policy which gives preference to the U.S. Page 4

● **HITACHI**, Japanese leader in integrated electrical machinery, is to link with General Electric of the U.S. in producing industrial robots. Page 4

● **TRICOVILLE**, fashionwear designer and manufacturer, is the subject of a £4.52m agreed bid by Taurus Vehicle Leasing. Page 17

● **RAMUS HOLDINGS**, tile and furniture distributor, is to enter the Unlisted Securities Market with a 1.08m share placement. Page 16

● **UNITECH** reported pre-tax profits down to £4.27m (£5.26m) for the year to May 30 despite a rise in sales. Page 16

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES				
Brady Inds. A	67	+ 4	Barclays Bank	432 — 6
Cadbury Schweppes	89	+ 3	British Sugar	332 — 5
GEC	752	+ 10	Centreway Trust	110 — 10
Hill (C.) of Bristol	160	+ 8	Grindlays Bank	232 — 8
Plessey	352	+ 6	Hillards	295 — 15
Preedy (A.)	68	+ 3	Johnson Matthey	260 — 7
Racal Electronics	443	+ 10	Mercantile House	458 — 7
Standard Telephns.	428	+ 8	Midland Bank	330 — 8
Wiggins Con.	70	+ 4	Polly Peck	333 — 10
Ranger Oil	670	+ 49	Telephone Rentals	373 — 10
RTZ	573	+ 13	Wearwell	82 — 4
			Wettern Bros.	75 — 5
			Aran Energy	50 — 7
FALLS			Berkeley Explortn.	380 — 8
Exchqr. 12½pc '90	£88	— ⅛	KCA	151 — 6

National rail strike called to begin on August 30

BY JOHN LLOYD, LABOUR CORRESPONDENT

A NATIONAL STRIKE of British Rail's 190,000 manual workers has been called from midnight on August 30.

The executive committees of the largest rail union, the National Union of Railwaymen, and of the train drivers' union, Aslef, voted unanimously for an all-out stoppage in separate meetings yesterday.

British Rail disclosed yesterday that it expected to overrun its external financing limit of £920m by between £70m and £100m because of continuing decline in passenger and freight traffic.

This figure assumed a wage increase for 1981-82 of 8 per cent.

The further 3 per cent demanded by the unions would cost a further £30m this year, £50m in a full year.

The general secretaries of both unions, Mr Sid Weighell of the NUR and Mr Ray Buckton of Aslef, will meet their opposite numbers in the other unions which make up the "triple alliance," the National Union of Mineworkers and the Iron and Steel Trades Confederation.

Mr Weighell said he would also ask Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades Union, for the support of his members in electricity supply.

However, two factors emerged yesterday which gave some grounds for hope that a compromise might be achieved.

The four-week period which will intervene between the strike call and the starting date was seized on by Mr Cliff Rose, the British Rail Board member for industrial relations, as sufficient time to "hammer the thing out."

Mr Rose said that as long as the unions did not insist on strict observance of the Railway Staffs National Tribunal award, which allowed for a two-stage increase of 8 per cent from April 20 and 3 per cent from August 1, without prior commitment on productivity, negotiations could re-start.

Secondly, the 70,000-strong Transport and Salaried Staffs Association 29-man executive voted unanimously not to strike, and to seek intervention in the dispute by Mr Len Murray, TUC general secretary.

While there is no question of the TSSA's position affecting that of the other two unions or softening the effects of a strike, it does cause a narrow crack in the unions' otherwise unified approach.

Mr Weighell said that all his members on the railways, in British Rail Engineering, Sealink, Seaspeed and the British Transport Hotel chain would be called out.

Members in the 19 British Transport Docks Board ports would ensure that freight normally carried by rail was not carried by rail was not diverted to road, while the 15,000 NUR members on the London Underground would be held in reserve.

He said: "This action has been imposed upon us by a board that is petrified by the ball-and-chain that is round their necks — cash limits."

Mr Buckton said that he had wished for an earlier strike date, but that Aslef would abide by the August 30 deadline to keep in step with the NUR. He is to see leaders of the Triple Alliance in the next few days.

For BR, Mr Rose said that the board required "understanding in the short term" from the Government because of the overrun on its cash limits. The board had to be satisfied that it had a commitment to genuine productivity improvements before it could ask for that understanding.

He accepted that productivity had improved in the recent past, but the board felt it had to "gear up a bit on productivity."

The strike call by the unions had already cost BR business as customers looked for alternative carriers, said Mr Rose.

Rail unions build up steam, Page 8

U.S. air traffic strikers continue to defy Reagan

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

STRIKING U.S. air traffic controllers yesterday continued to defy President Ronald Reagan and brought a second day of disruption to U.S. and international flights.

Both sides in the dispute said they had no intention of giving in. They gave conflicting accounts of how much support the strike was receiving.

The 15,000-strong Professional Air Traffic Controllers Organisation refused to call off the strike in spite of the imminence of the President's deadline for dismissing the strikers (11 am in Washington or 4 am in London today).

In New York a federal judge imposed fines of $100,000 (£55,500) an hour, or $2.4m a day, on the union, to apply for as long as the strike lasts. That was on top of a $250,000-a-day fine levied by a court in Washington at government request.

The controllers, as federal employees, are not allowed to strike.

The union has a $3.5m strike fund but the Federal Government has obtained a injunction freezing the funds.

In Washington the Government started interviewing 9,000 candidates who have applied for controllers' jobs. It said it would "blanket the country" with injunctions and charges against the strikers.

White House aides said President Reagan was "just as tough as nails on this" and determined to follow through with the dismissals if the controllers did not return to work. It is Mr Reagan's first major confrontation with organised labour and he is in no mood to set a precedent by backing down.

Mr Drew Lewis, the Transportation Secretary, said that in spite of the walk-out about 60 per cent of all air traffic operated on schedule on Monday, the strike's first day, and the figure could rise to 75 per cent for yesterday's flights. The control-towers are manned by military and non-union controllers.

Mr Lewis and the union disagreed however on the extent to which the strike call was being obeyed. Mr Lewis said 31 per cent of the controllers had reported for work on the Monday night-shift. The union said 90 per cent of its members were not working in major cities. Later, the Federal Aviation Administration said 28 per cent had reported for yesterday's day-shift on the East Coast, an increase on Monday's 22 per cent.

Mr Lewis said as many as 700 military controllers would be phased in by today to help the non-union supervisors. Anyone not back at work by the deadline would be dismissed "with positively no appeal," Mr Lewis said.

Mr Robert Poli, the union's president, continued to insist that controllers would not go back unless negotiations resumed.

The White House said it was satisfied the system was working inspite of the strike—"Planes are in the air, people are travelling." Telephone calls to the White House were nearly all "in the President's favour."

There were however widespread reports of disrupted holidays and business trips. Long queues formed at bus and train stations. Car-hire companies ran out of cars, a blood shortage in Texas went unrelieved and 6,500 boy scouts were marooned in Virginia after a jamboree.

Dollar's advance in Europe is still strong

By Our Foreign and Financial Staff

THE U.S. dollar continued to move ahead strongly in Europe's foreign exchange markets yesterday in spite of heavy intervention by most central banks.

The Deutsche Mark closed at its lowest level for five years against the dollar. The pound dropped below $1.80. The dollar moved above SwFr 2.20 for the first time since late 1977.

In the Far East the Japanese yen fluctuated wildly against the dollar in an erratic session. The yen, helped by Bank of Japan intervention, recovered temporarily in Tokyo before moving lower in Europe where it closed at Y246.1, compared with its Tokyo close of Y242.1 and Monday's Y245.4 in London.

The dollar weakened against many European currencies yesterday morning but moved ahead strongly after lunch, especially after the U.S. markets opened.

Heavy intervention by the Bundesbank, West Germany's central bank, estimated at between $600m and $800m, failed to halt the Deutsche Mark's slide. After opening in Frankfurt at DM 2.5240-55 to the dollar, the German currency moved to its day's high of DM 2.5030-50. It closed, however at DM 2.5350, a loss of nearly a pfeni gon the day and of more than six pfennigs over the past two days.

The pound started the day at $1.8160, above overnight levels.

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UK reserves fall, Page 6
Money Markets, Page 21
UK money supply up, Back Page

£ in New York

	Aug. 5	Previous
Spot	$1.8020-8050	$1.8340-8560
1 month	0.85-0.90 pm	0.86-0.95 pm
3 months	2.05-2.15 pm	1.90-2.00 pm
12 months	6.20-6.40 pm	5.10-5.30 pm

Begin loses right-hand man over religious concessions

BY DAVID LENNON IN TEL AVIV

MR MENAHEM BEGIN, the Israeli Prime Minister, last night signed the agreement enabling him to constitute a coalition government. But the settlement cost him major concessions to secure the 13 seats of the country's three religious parties and caused the resignation of his right-hand man, Mr David Levy.

The coalition agreement involves no changes in foreign policy, merely restating the position of the former Government.

It undertakes to continue the talks with Egypt on autonomy for the Arab population of the territories occupied since 1967 but reasserts that Israel has legitimate claim to sovereignty over the West Bank.

Some of the concessions made to the religious parties have aroused considerable disquiet among the mainly secular Israelis who fear they will undermine civil liberties and threaen same people's livelihoods. The Jerusalem Post described the concessions as "arrogant hypocrisy."

The draft coalition agreement calls for an immediate halt to flights on the Sabbath and Jewish holidays by El Al, the national airline, and the closure of all seaports on those days.

The financially troubled airline fears the halting of weekend flights could increase its annual deficit by up to $40m (£22m) and cost 5,000 jobs.

Other undertakings made to the religious parties include ending weekend work in state-owned concerns like the railway and oil drilling companies. Ambassadors and state emissaries will no longer attend official functions on the Sabbtah, mixed halls of residence in universities will be abolished and limits will be imposed on the rights of common law wives.

No sooner had Mr Begin yesterday won the support of Tami, a splinter relgious party representing Jews of oriental origin, than Mr David Levy, the second man in the Premier's own Herut faction, resigned over the concessions made to secure Tami's three seats.

Mr Begin will be reluctant to form a government without Mr Levy, but he is expected to present a new cabinet to the Knesset this morning for approval.

It will command a slender majority with the Likud group, consisting of Herut and the Liberals, and its three religious partners holding 61 seats in the 120-member Parliament.

Mr Levy, Minister of Housing and Absorption Affairs in the outgoing administration, resigned in protest at Mr Begin's promise of the Absorption portfolio to Mr Aharon Abuhatzeira, the leader of Tami. The absorption ministry handles the settlement and assimilation of immigrants.

The Prime Minister was hoping last night that he would be able to persuade Mr Levy to reconsider his decision. Mr Levy, a former trade union leader who emerged as one of the most powerful figures in the Likud, complained that the bloc had been given less than its fair share of Cabinet posts.

Sadat will urge U.S. to talk with Palestinians, Page 3

Japanese growth rate 'to fall'

BY DAVID DODWELL

DOMESTIC DEMAND will be an increasingly important factor in stimulating Japan's economic growth up to the end of next year, the Organisation for Economic Co-operation and Development (OECD) says in its latest survey of Japan, published yesterday.

This contrasts to the past 18 months, during which Japan's strong export performance has accounted for most of the growth in the country's gross national product.

The OECD expects Japan's growth rate to slow to about 3 per cent a year for the rest of 1981, compared with last year's 4.2 per cent, before rising to 5 per cent by the middle of next year.

But it has based its forecast on the assumption that the yen-dollar rate would remain steady at about Y220 to the dollar, as it was until the beginning of last month, in contrast with the Y246.1 at which it closed in London last night.

The survey warns that the projected increase in growth is "highly conditional" on a strong yen as well as continued fall in prices and suitable Government policies.

"These conditions may be difficult to achieve, given the present high level of international interest rates and their high volatility," the OECD says.

A faltering in domestic demand, it adds, "cannot be excluded," especially towards the end of this year, when the volume of public works is expected to fall.

Not only had Japan recovered faster from the 1979 oil price rises than it did from those five years earlier, but it had outpaced every other OECD mem-

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Japan's performance remarkable, Page 3
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Capital restructuring for ICL

BY GUY DE JONQUIERES

ICL, BRITAIN'S loss-making large computer manufacturer, has persuaded its banks to agree to a financial restructuring scheme. They will convert part of their loans to the company into a new category of preference shares.

Agreement on the plan has been made possible by the Government's willingness to extend to the new preference shares the two-year loan guarantee it granted the company on its loans last March.

The total value of the guarantee will remain at £200m. But some of its provisions may have to be modified to take account of ICL's new capital structure. The Government is also believed to be considering extending the guarantee on the preference shares to beyond two years.

Details of the package will be announced by Mr Christophor Laidlaw, ICL's chairman, this afternoon. He is expected to call a special shareholders' meeting shortly to approve the scheme and the issue of the new preference shares.

Mr Laidlaw and the Government have been convinced for some time of the need to enlarge ICL's shrunken equity base. But the sharp fall in the value of its shares and its poor trading performance over the past year have made a normal rights issue impracticable.

The company reported a pretax loss of £50.6m—including a special write-off of £14.6m arising from 2,000 redundancies and a factory closure—in the six months to March 31.

ICL's borrowings on that date stood at £189m—representing more than two-thirds of its £270m total borrowing facilities.

Though the company has said it is assured of adequate finance, it wants to reduce the cost of servicing its bank loans.

Mr Laidlaw has said that he expects ICL to be in profit by the time the Government guarantee is due to expire in March 1983. But it is uncertain whether the company will be generating sufficient cash by then to repay all the loans covered by the guarantee.

ICL plans to make 5,200 more workers redundant and has imposed a wage freeze for the current year. The redundancies are expected to cost the company £40m, but they should help reduce its trading loss—running at about £4m a month recently.

The company also plans a five-year product strategy, to increase its involvement in office automation and data communications.

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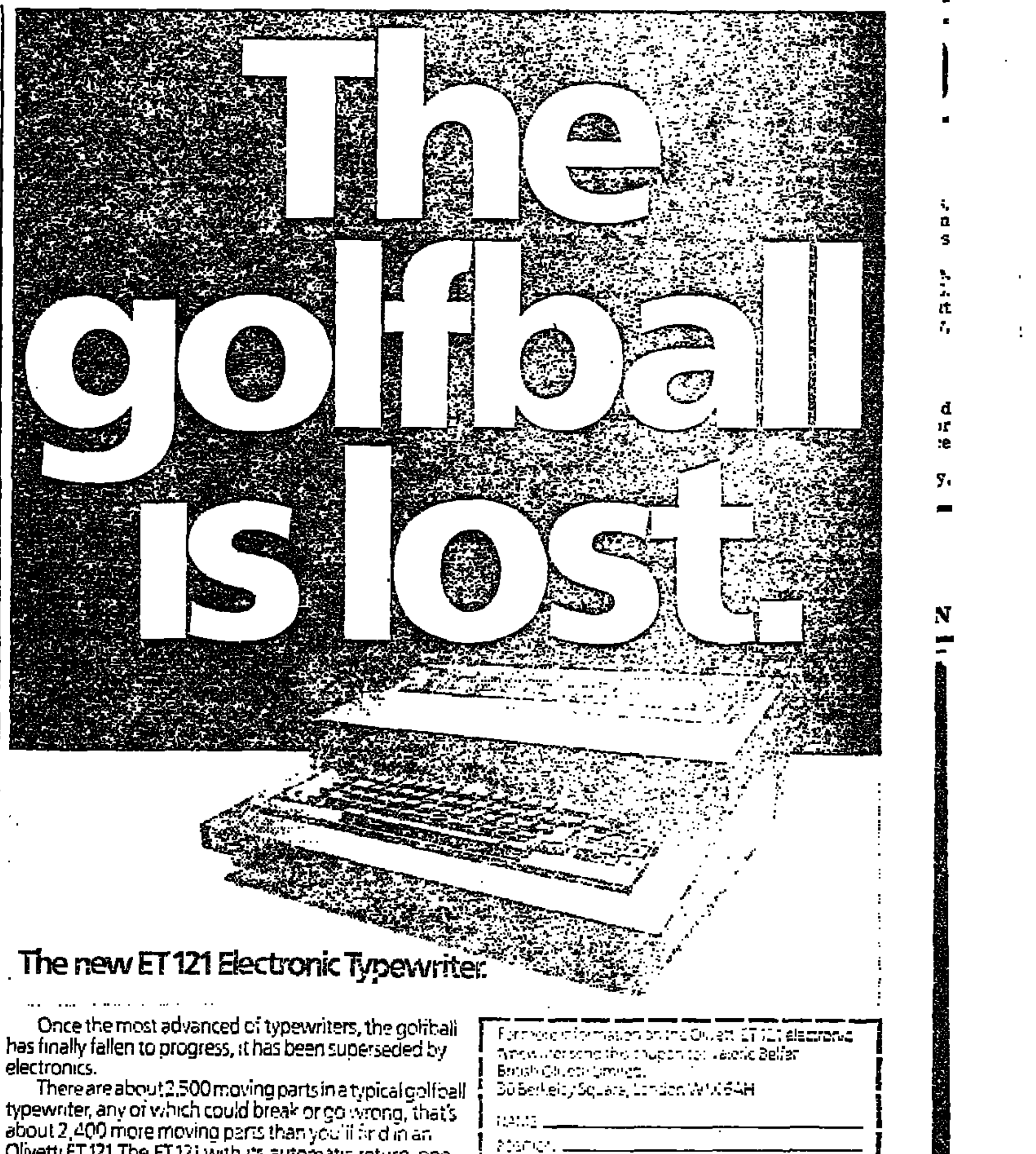


France tests nuclear warhead

BY TERRY DODSWORTH IN PARIS

FRANCE YESTERDAY tested its first nuclear warhead since President François Mitterrand's election nearly three months ago.

The test, announced in a short communique from the Ministry of Defence, marks a sharp change in policy from that under former President Giscard d'Estaing, when tests were neither officially confirmed nor denied.

It is estimated there may have been 80 to 90 underground explosions at the French testing site of Mururoa in Polynesia since the clampdown on information began in 1975.

No details of the type of warhead tested were given but three programmes are being conducted—two on refining warheads for the long-range submarine-launched M4 missile and for the ASMP medium-range air-to-air missile, and a third on the neutron bomb.

Soon after coming to power in May, the French Government suspended the nuclear test programme while it reviewed safety and the controversial neutron bomb project. The freeze was quickly lifted and the authorities made it clear tests would be resumed.

At a meeting in Paris in June, President Mitterrand confirmed his Government's attitude to Mr Robert Muldoon, the Prime Minister of New Zealand, one of the countries most critical of the French testing programme.

The test underlines France's determination to continue with an ambitious independent nuclear deterrent policy. In recent weeks, this attitude has been attacked by the Soviet authorities.

A few days ago, President Mitterrand said the country was to build a seventh nuclear submarine.

M Charles Hernu, the Defence Minister, indicated recently that experiments would continue with the neutron bomb, the short-range tactical weapon that destroys life while leaving inanimate objects intact.

In opposition, the Socialists were sceptical about the neutron bomb, and M Hernu has made it clear they have not decided whether it should be deployed.

Power programme freeze runs into trouble

BY OUR PARIS CORRESPONDENT

THE French Government has run into immediate trouble, some of it coming from its own supporters, with its controversial decision to freeze part of the country's nuclear power programme.

The outburst of criticism underlines the Government's difficulties over nuclear energy. In a number of strikes and demonstrations in the last few days, a cross-section of the French trade union movement has shown its opposition to any attempt to cut the power station projects inherited from the last Government.

Underlying the Socialist administration's problems is the split within the Left coalition over the future role of nuclear energy.

The Socialists went into the last election committed to a reduction in nuclear generating capacity designed to take effect later this decade. But the Communist Party, which has four members in the Government team, is against any reduction in the nuclear programme, while at trade union level both the CGT, led by Communists, and the centrist Force Ouvriere want to continue with the power station plans.

The Energy Ministry, in its announcement of the freeze last week, tried to steer a middle course between the two extremist wings but pleased nobody.

On the anti-nuclear side of the party, the Socialist-orientated CFDT trade union says the Government has not gone far enough with its suspensions. It argues that the Energy Ministry should have stopped work on more sites and the Government should not have gone ahead with the extension of the La Hague retreatment plant, or the experimental fast-breeder reactor at Creys-Malville in the Alps.

This reaction has been supported by the ecologists, who condemned the decision for limited suspensions as a policy of "honouring contracts rather than promises." The ecologists were an important element in the voting coalition which brought the Socialists into power, although they hold no seats in Parliament.

Against these arguments, the pro-nuclear elements of the Left alliance are mounting a campaign based on economic issues, joining forces with business and opposition parties.

For the Communists, cheap nuclear power is an essential element of economic expansion, as well as providing jobs in construction and the sub-contracting network which has developed around the industry. About 300,000 men are thought to be employed in the French nuclear sector.

Both questions were raised in two big demonstrations this week, at the Cattenom site in Lorraine and at Golfech on the Garonne river in South West France.

Union leaders at Cattenom, where work on two reactors has been frozen, say that Lorraine needs nuclear projects to maintain activity at a time when its traditional coal and steel industries are in decline. At Golfech, local companies say that they have geared up for the six-year plant project and would suffer if it was abandoned.

The Government, meanwhile, is to make its own position clear in an Energy Bill due to be presented to the National Assembly in October. Only at that time will a final decision be taken on the future of the "frozen" sites.

For the second day running, thousands of Poles clogged Warsaw's streets in protest against the food shortages

Japan may sell rice to Poland

JAPAN IS near a decision on selling 20,000 tonnes of surplus rice to Poland as part of an international effort to relieve its food shortages.

Poland made the request for the rice in April. Japan has a large surplus because of heavy subsidies paid to local farmers.

Poland's economy is in such bad shape that the prospect of Soviet military intervention is unlikely, according to Dr Heinrich Vogel, head of the West German Institute for Eastern Scientific and International Studies, AP reports from Bonn.

The Japanese Foreign Ministry said shipments could be made in the autumn after details are settled. Tokyo must get the consent of the U.S. and other rice exporting nations before making the shipments to avoid stirring up trade frictions.

Poland is expected to make deferred payments for the rice.

E. Germany expects good harvest

BY ROGER BOYES IN BONN

EAST GERMANY is expecting a reasonably good harvest this year, in spite of the threat of rain damage to grain crops in the rest of Eastern Europe. With Poland's serious food shortages—and fearing worse to come—the East European harvest has gained acute political significance.

West German agricultural analysts say about 800,000 hectares out of 2.5m have been harvested, although there were heavy rains last week in the Karl-Marx-Stadt and Dresden areas. Initial figures indicate the harvest will not be a record but that East Germany will maintain its high degree of independence from grain, fodder and meat imports.

This may ease some of the pressure from Poland. Poland has been expecting an improved harvest after three bad years, but its battered economy has been unable to provide enough tractors and farm machinery for gathering the crop.

The U.S. Department of Agriculture has predicted a disappointing Soviet crop because of prolonged drought and reported floods in Poland, especially the Jelenia Cora, Legnica and Zielona Gora areas, as well as Czechoslovakia where western Bohemia is badly hit.

The conclusion to be drawn from these reports is that Poland will face tougher food shortages in the winter and that the normally fairly flexible capacity of other East European countries to plug the gap will be limited.

It is still too early to judge whether East Berlin will have enough food to give significantly increased aid to Poland.

East Germany's five-year plan reflects its ambition to stay relatively independent from Western agricultural imports—but this does not necessarily comfort the East German consumer. After years of quickly expanding livestock herds—and an improving meat supply—the Government estimates that there will be only a 3.7 per cent increase in meat production over the next five years.

It aims to end the imbalance that arose over the past five years, when it was found impossible to produce enough feed grain for the larger herds. This meant importing costly feed grain and there was a fear that the country was heading towards a Polish-style dependency on Western purchases. The prospects for the harvest suggest East Germany will not need to increase radically its food imports.

With a slight increase in animal husbandry, and more significant rises for grain, potatoes and sugar beet (5.9 per cent to 7.1 per cent), East Germany believes that it has reached a correct balance between political independence from the West and an acceptable standard of living for East Germans. To this, the Government is expected to add agricultural price reform, which will phase out certain farm subsidies to increase efficiency.

These calculations could be upset if the Polish food shortage worsens. The possibility of increased East German food aid to Poland has to be weighed against the tensions that such aid could create if East Germans went hungry as a result.

West Germany's July jobless figure the worst since 1952

BY KEVIN DONE IN FRANKFURT

UNEMPLOYMENT in West Germany jumped by 120,500 last month to 1,246,200, the worst figures for July since 1952. The unemployment rate increased to 5.3 per cent compared with 4.8 per cent in June.

The figures, together with those for industrial production which show output remaining stubbornly below last year's level, suggest the West German economy is showing little sign of climbing out of the recession.

The Federal Labour Office in Nuremberg suggested that unemployment can be expected to worsen in the seond half of this year. An average level of 1.2m out of work is expected for 1981 as a whole. The number of job vacancies shrank to 218,600 in July, compared with 235,576 in June.

The Labour Office predicts a general level of 1.35m unemployed in 1982. Herr Josef Stingl, Labour Office president, called yesterday for government measures to stimulate industrial investment.

The Government has little room for manoeuvre—and is having to focus its attention on ways of cutting public expenditure rather than on ways of reflating the economy.

The Bundesbank, the central bank, also made clear recently that it sees little room for an early easing of interest rates. Its last monetary policy move was towards a further slight tightening of the money supply, reflecting fears of rising inflation.

Its scope for action is further limited by the weakness of the D-mark against the U.S. dollar. The West German currency yesterday slumped to its lowest point against the dollar for nearly five years.

The figures for industrial production in June are an unreliable guide because of changes and distrotions in the production index and a bunching of public holidays in the month. The statistics, however, still show a 3.5 per cent fall in output compared with the previous month.

On a two month comparison, output fell by 0.5 per cent in May-June, compared with March-April, and was 1.5 per cent below that of May-June last year.

Compared with last year, the weakest areas were basic materials, down by 5 per cent, consumer goods, minus 4.5 per cent, and construction where activity was 3.5 per cent below that of May-June 1980.

The capital goods sector, hitherto the most resilient part of industry, showed growth of only 1 per cent.

The large jump in the number *out of work in July is partly* influenced by the start of the holiday season, but even on a seasonally adjusted basis the number of unemployed rose to 1,312,000 compared with 1,266,000 in June and only 900,000 in July last year.

The regions hardest hit are Lower Saxony and Bremen with average unemployment of 6.8 per cent, and North Rhine-Westphalia, which includes the Ruhr district, with 6.5 per cent.

Unemployment is at its highest in the Ruhr with 7.5 per cent out of work. In three cities in the region it is above 8 per cent—8.1 per cent in Duisburg, 8.5 per cent in Dortmund, and 8.2 per cent in Gelsenkirchen.

Yugoslavs face £20 travel tax

By Aleksandr Lebl in Belgrade

THE Yugoslav Federal Government has proposed a 1,500 dinar (£20) exit tax on Yugoslavs going abroad. Several regional governments have objected strongly, particularly the most northern Republic of Slovenia which borders Italy and Austria.

Other Republics have complained that the proposed tax, aimed at reducing the spending of Yugoslav tourists, is contrary to the traditional policy of open *frontiers and development of* relations with neighbouring countries.

The Government introduced on July 4 regulations under which Yugoslavs are allowed to take only 1,500 dinars out of the country. Tourists coming into Yugoslavia are limited to bringing 1,500 dinars into the country.

The measures are aimed at reducing the volume of black market trading. Black market rates for foreign currencies are between 8 and 10 per cent above the official rate.

Many Yugoslavs have been changing their dinars at a discount, then depositing the proceeds in hard currency bank accounts. These deposits total more than $8bn (£4.4bn).

The popularity of hard currency accounts has grown both as a hedge against the dinar's rapid devaluation and because they earn hard currency interest at the same rate as interest paid, in dinars, on depreciating dinar accounts.

Reports of another formal devaluation, like that of June 1980 when the dinar depreciated *30 per cent against the dollar*, have been denied by the authorities.

The dinar continues its downward path, however, and the dollar has appreciated a further 33 per cent against it since last year's formal devaluation.

The proposed exit travel tax aims to limit this downward pressure on the dinar by reducing Yugoslav tourism.

Inflation and lower incomes have already taken their toll. Last year Yugoslavs made only 16.8m trips compared with 21.8m in 1979.

Sweden plans big spending cuts

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

CUTS IN national insurance benefits and in child allowances are among suggestions being floated by Sweden's minority Centre / Liberal Government this summer to test the climate *for swingeing reductions in* public spending.

The coalition of Mr Thorbjörn Fälldin, the Prime Minister, is committed to saving at least SKr 12bn (£1.2bn) in the 1982-83 budget. This is equivalent to well over two per cent of gross domestic product and would be the most drastic attempt to curb the growth in spending.

Mr Rolf Wirtén, the Budget Minister, has suggested that SKr 1.2bn a year could be saved by stopping sickness benefits for the first three days of absence from work.

Mr Fälldin told journalists that if health services and care for the aged had to be improved, it was reasonable to ask people to accept a day or *two without compensation when* sick.

Earlier, a leak from the Budget Miinstry disclosed that officials were working on a plan to reduce child allowances, at least for the first child in a family.

These cuts were opposed immediately by the Social Democrat opposition and the trade union federation. The Government can expect to obtain the support of the Moderates (Conservatives) who quit the coalition in April because of differences over tax policy. The three non-socialist parties have a majority of one in the Riksdag

The SKr 12bn reduction in spending would only dent the budget deficit, calculated to reach a record SKr 74bn this year.

Our foreign staff adds: Norway's current account balance for the first five months of the year has shown an unexpected improvement on estimates in the revised budget because of a rise in exports and a fall in fuel imports.

According to figures issued by the Central Bureau of Statistics, there is likely to be a surplus of $946.7m (£525.7m), compared with $578.2m in the corresponding period last year. The budget estimate was of a deficit of $338.7m.

HOW NETHERLANDS COPES WITHOUT A CABINET

Dutch ministries mind the shop

BY CHARLES BATCHELOR IN AMSTERDAM

TEN WEEKS after the inconclusive general election of May 26, the Netherlands is still without a new Government as the parties haggle over a coalition progamme. *Three mediators* appointed by Queen Beatrix to reconcile the political differences have drawn up a draft programme but there are still disagreements between the parties.

The Dutch have become used to extended cabinet negotiations. It took 23 weeks to put together a Government in 1973 and a record 28 weeks in 1977. But this does not mean they are happy to have their country's affairs managed by "caretaker" administrations, which, in theory at least, are limited to *minding the shop.*

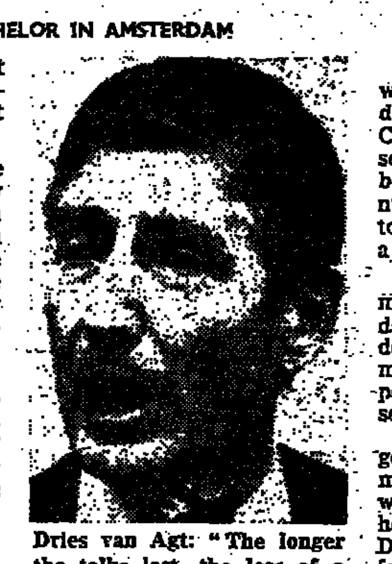
A "caretaker" government is restricted to carrying out "what it believes is necessary in the country's interest," according to the Government information office. Important new political initiatives may not be undertaken, though existing programmes can be continued.

The Finance Ministry, for example, is busy preparing the 1982 budget which, by law, must be presented to Parliament on the third Tuesday in September (this year, September 15). In spite of the uncertainty over the new Government, a budget continuing the cost-cutting policies of the outgoing centre-right coalition is being drawn up.

"This cabinet has taken the decisions and these are now being translated into policy," a Finance Ministry spokesman said. "If a new cabinet were to be formed in August then we would have to incorporate any changes which became necessary."

Ministries continue to handle routine business. Economic Affairs makes the regular calculation of the maximum price of oil products and recently drew up a new set of price controls for the second half of 1981. Requests from the parties involved in the coalition talks for revised economic forecasts has meant extra work for officials of the Central Planning Office, the main Government forecasting agency.

The reduced government activity is partly masked by the holiday period. International organisations such as the EEC and Nato slow down for the summer which means the Foreign Ministry can function at a fairly low level, a spokesman said. But if the Netherlands is still without a Government after the summer recess,



Dries van Agt: "The longer the talks last, the less of a "caretaker" my cabinet will be"

new foreign intiatives will have to be postponed.

The single most important foreign issue is the Dutch attitude towards Nato's plan to modernise its nuclear missile arsenal in Western Europe. The alliance wants the Netherlands to accept 48 of the 572 Cruise and Pershing 2 missiles to be deployed in Europe in response to the Soviet arms build up.

A *left-of-centre* coalition would almost certainly delay a decision on the missiles, so the Christian Democrats are keen to set a deadline. Agreement *between the parties on the* nuclear issue is almost certain to be a prerequisite of forming a new government.

The longer the cabinet formation lasts, though, the more difficult it becomes to postpone decisions on tricky issues. "A minister must then use his political judgment," said one senior official. "The minister

On the even of the 1977 general election, the Government was faced with a crisis when South Moluccan terrorists, hoping to bring pressure on the Dutch to gain independence for their homeland from Indonesia seized 160 hostages in a train and a school. This challenge was handled as successfully by the then "caretaker" administration as it would have been if ministers had been working with a full mandate.

Mr Dries van Agt, the Christian Democratic Party leader and outgoing Prime Minister, made clear his intentions at an early stage of the present cabinet talks. "The longer the talks last the less of a 'caretaker' my cabinet will be."

Arguments within the ruling Social Democratic coalition in Portugal are threatening the future of the Government, writes **Diana Smith**

Balsemao challenges the critics who want to rob him of leadership

THE PORTUGUESE Prime Minister, Sr Francisco Balsemao, is trying to force a showdown with the warring factions in his governing alliance.

It is a typical Portuguese political crisis and it threatens the future of Balsemao's Social Democratic coalition Government. *Sr Balsemao has sum*moned a meeting this Saturday of the Social Democratic Party's national council, at which he will call for a special party congress in September. He wants the congress to settle beyond any question whether or not he is to continue as the leader of the coalition.

This follows seven years of political confusion, which began in 1974 when the "Captains of April" ended 50 years of Right-wing dictatorship in Portugal. Most of the 57 political groups who scrambled on to the bandwagon in that year of dramatic change could not raise enough signatures to *become fully-*fledged parties and were absorbed into half a dozen major groups.

In-fighting thrived and it has taken a particularly ferocious turn this summer, in the heart of the ruling alliance between the Social and Christian Democrats and the Monarchists.

The alliance was forged by the late Francisco Sa Carneiro, a man whose fierce willpower often silenced dissenters. After his tragic death in a plane crash in December 1980, a cult grew up around his personality among a small but energetic group in Sa Carneiro's Social Democrat Party. Open rivalries within the alliance quickly surfaced.

When the Social Democrats picked a successor to the late Premier, *they* turned to a peacemaker, Sr Balsemao, 42, a co-founder of the party in 1974 and a moderate, unabrasive personality *who seemed quali*fied to cool the dangerous political heat raised by Sr Carneiro before his death.

He had waged a desperate battle to get the popular, politically moderate President of the Republic, Gen Antonio Ramalho Eanes defeated by an enigmatic Conservative, Gen Antonio Soares Carneiro—not to be confused with the Sr Sa Carneiro—in the December elections. By the time of his death three days before the presidential election, Sr Sa Carneiro knew he had backed a loser.

Gen Eanes won with a majority so sweeping that even the most hardline Social and Christian Democrats seemed bound to concede that the politics of confrontation did not go down well with the Portuguese electorate.

Sr Balsemao made it clear immediately that he would work with, not against, President Eanes. But this conciliatory spirit won him the opprobrium of those known as the "Lisbon Group" of Social Democrats led by Sra Helena Roseta, a passionate admirer of Sr Sa Carneiro.

She set about enthusiastically promoting—to Sr Balsemao's detriment—two former Cabinet Ministers, Sr Eurico De Melo (Interior) and Sr Anibal Cavaco Silva (Finance). Both had considered possible heirs to Sr Sa Carneiro. But they were bypassed because they appeared too conservative and were not generally popular in the country. Sra Roseta and the men she promoted sought to continue opposing the President of the Republic whether or not it suited their party's interests.

Sr. Sa Carneiro (left), the fiery late Prime Minister, who left a legacy of turmoil to his successor, Sr. Balsemao (right).

From the day Sr Balsemao was picked as party leader and Premier, the Roseta clan tried to undermine him. The Premier and other Social Democrat Ministers were therefore forced to spend more time and energy than the faltering economy could afford trying to control the rebels. This took until June, when Sra Roseta was reduced to tears in a Social Democrat meeting which temporarily united the party leadership against her.

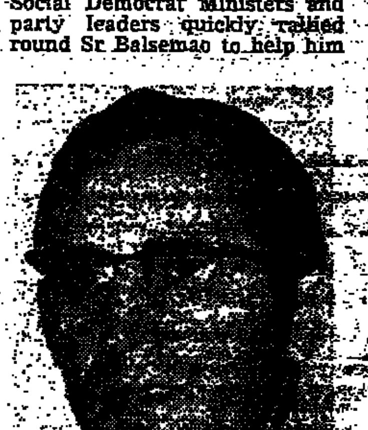
Sr Balsemao still had no peace: Social Democrat parliamentary deputies led the alliance into voting for a 93 per cent pay rise for themselves in a time of national austerity and then turned on him in fury when he dared to criticise their action in public. The Roseta clan returned to the attack joined by Sr Carlos Macedo, *Minister* of Social Affairs and Senior Party Vice-President, who promised the deputies that the cabinet would be reshuffled—implying, in typically oblique Portuguese fashion, a change in its leadership.

Sr Macedo unexpectedly resigned on July 27 while Sr Balsemao was on a yachting holiday. This gave the country an impression that its politicians were becoming unmanageable. Social Democrat Ministers and party leaders quickly rallied round Sr Balsemao to help him restore an appearance of stability.

Meanwhile, Sr Diogo Freitas Do Amaral, the Christian Democrat leader, challenged Sr Balsemao, saying that he no longer approved of the choice of successor to Sr Sa Carneiro and considered the new Premier too easy-going. Certainly Sr Do Amaral had tried to dissuade the present cabinet's Christian Democrat Ministers from joining Sr Balsemao

Sr Balsemao now needs to reshuffle the cabinet if only to replace Sr Macedo but, to keep the peace for his four-year mandate, he has ventured to discuss a shift to the right with Srs Do Amaral, Eurico De Mello and Cavaco Silva, offering them fresh cabinet posts.

Sr Balsemao lashed out publicly over the weekend at those who are still defying him threatening them with "all necessary steps" inside the party and the alliance. That is language in the style of Sr Sa Carneiro. Whether ruthless action in the style of Sr. Sa Carneiro will follow remains to be seen.



President Eanes

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OECD ANNUAL SURVEY OF ECONOMY

Japan performance in oil shocks 'remarkable'

BY DAVID DODWELL

JAPAN'S ECONOMIC performance has outclassed that of every other western industrial country in dealing with the oil shocks of 1974 and 1979, according to the OECD in its annual survey of Japan, published today.

"This performance is all the more remarkable," the OECD says, "since Japan is particularly dependent on imported raw materials and energy."

Real GNP growth has been the fastest among OECD members, productivity has grown more quickly and unemployment has stayed low. Inflation has always been below the OECD average, and the current account has "remained in equilibrium."

The real cost to Japan of the oil price increases of 1973-74 and 1979 has been immense. Despite rapid growth in exports to the Opec states, Japan's deficit with oil exporting countries has risen by $30bn since 1973. In 1980 alone, soaring energy import prices created a deterioration in terms of trade of about 20 per cent in 1979, or about $25bn.

However, the "remarkable flexibility" of the Japanese economy has allowed a recovery that has been more rapid than for any other OECD country.

The OECD lists a number of reasons for Japan's buoyant performance: successful adjustment policies and policies aimed at managing demand and stimulating supply.

"The dynamism of the private sector nurtured by strong competition in domestic and foreign markets has also been a key element," the report notes.

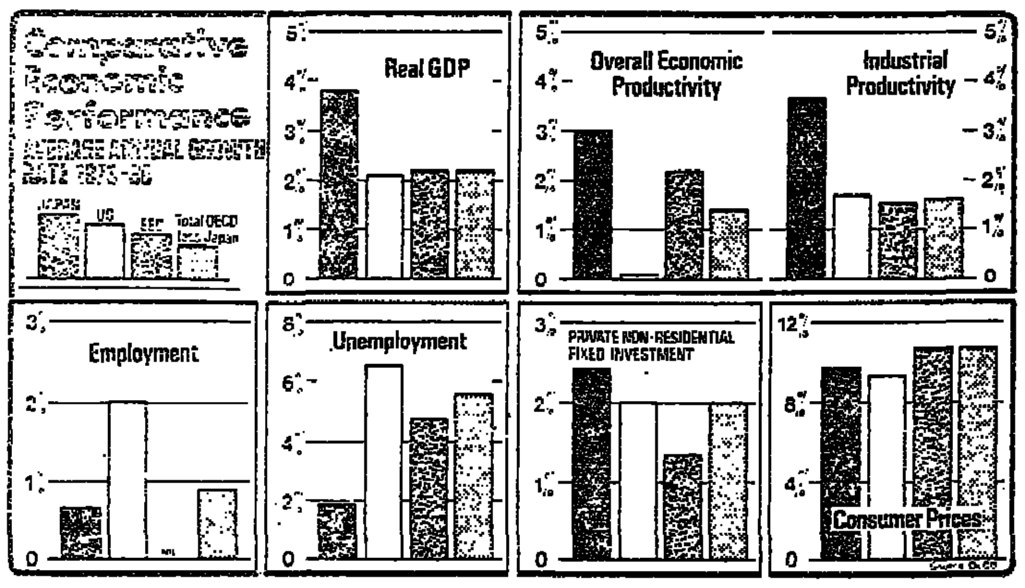
Sustained high levels of private investment, coupled with "rather high flexibility" in wage demands and labour mobility, also played a part.

The result of policies adopted over the past 18 months has been that exports have risen rapidly—by about 19.3 per cent in 1980—while imports have actually fallen, mainly because of impressive savings on oil imports.

"Extensive transformation of the industrial structure towards more technologically advanced sectors, together with intensive rationalisation of production processes and labour-saving investment, has lead to marked progress in energy and raw materials conservation, strong productivity increases and development of new products," the OECD says.

Over the last 18 months, export growth has accounted for almost all of Japan's GNP growth. This has been achieved not by expanding into new markets, but by increasing market shares in well established markets. In 1980, with actual export growth measured at about 16.7 per cent, almost 13 per cent can be attributed to increased market share.

However, the rising value of the yen over the greater part of 1980 had led the OECD to predict that economic growth will be fuelled more by domestic demand than by export growth for the coming 18 months.



Sadat 'will urge U.S. to start talks with Palestinians'

BY RICHARD JOHNS, MIDDLE EAST EDITOR

PRESIDENT Anwar Sadat of Egypt will urge President Reagan's Administration to start talks with the Palestinians when the two meet later this week. The Palestine Liberation Organisation would have to be involved in the talks, he said.

Speaking in London before his departure for Washington, Mr Sadat said that he would also urge the U.S. to continue to act as a "full partner" in the Middle East "peace negotiating process," as it had done under the leadership of President Jimmy Carter.

Beyond that, he would be making no demands but leaving Mr Reagan free to act in the way that he chooses, the Egyption President said. He stressed also that he wished to see the European Community combine with Washington in support of American efforts to bring about a comprehensive peace settlement.

Mr Sadat referred consistently to "the Palestinians." But he stressed that the Palestine Liberation Organisation would have to be involved in negotiations even though, in his opinion, it was not the only representative of the people.

He attached fundamental importance to the ceasefire, arranged 11 days ago as a result of the diplomatic mediation of Mr Philip Habib, Mr Reagan's special envoy. This was a "great event" and one agreed between Israel and the Palestinians whatever Mr Menahem Begin, the Israeli Premier said.

"The proper approach is to build on the ceasefire," he declared, calling for the process to continue with Saudi Arabia using its contacts with the Palestinians and the U.S. liaising with Israel.

Referring to the parties central to Middle East conflict, Mr Sadat commented in characteristically buoyant tone: "If they continue like I am asking and achieve the next necessary step—namely a mutual simultaneous recognition — everything will be coming back to procedures of Camp David."

There was no point in abandoning the accords for a settlement of the Palestinian problem unless a better alternative could be found, he asserted.

Reuter adds from Washington: Mr Alexander Haig, U.S. Secretary of State, has indicated that the U.S. wants to revive autonomy talks for 1.2m Palestinians in Israeli-occupied lands.

He was speaking on Monday at a signing ceremony for an Israeli-Egyptian accord on an international peace-keeping force to police the Sinai after Israel hands back the last section of the occupied peninsula.

Opec chief discusses call for conference

By Our Foreign Staff

DR Marc Saturnin Nan Nguema, secretary-general of the Organisation of Petroleum Exporting Countries, is consulting with member states on the call by African producers for an extraordinary conference later this month to discuss prices and production.

Secretariat officials in Vienna said yesterday that at least 10 members would need to approve if the meeting was convened.

Saudi Arabia, which alone is producing at record levels, has resisted the calling of an extraordinary conference.

It is believed to be prepared for price reunification on the basis of a reference price of $34 per barrel, compared with the kingdom's present $32 per barrel and $36 per barrel used by nearly all other members.

Gambia vow

DAKAR — Left-wing rebels holding 29 hostages in the Gambian capital of Banjul have vowed to fight to the finish, according to a radio broadcast.

According to reports from Banjul, Senegalese troops and forces loyal to the president have surrounded the rebels. —Agencies

Patrick Cockburn reports on Baghdad's eagerness to play down the Iran conflict

Why Iraq hears few echoes of war

IN BAGHDAD, a vast city of 3.3m people sprawling over a thousand square kilometres along the banks of the Tigris, cranes and piledrivers are more in evidence than anti-aircraft guns. Reminders of the war against Iran are few.

The street lights are still turned out but the black-out has become largely symbolic. The gardens along the banks of the river have relit their lanterns for the crowds of Iraqis who sit drinking beer and arak.

But the war is real enough. Some 250,000 Iraqis out of a total population of 13.5m are under arms and they are not fighting a phoney war. In fierce skirmishes and artillery bombardments the Iraqis are losing, according to their own figures, nearly 400 dead a month. Total dead and seriously wounded to date are believed by diplomats to be about 35,000.

The Government itself is eager to play down the war. It has made none of the political gains it hoped for when it launched its powerful army into Iran ten months ago and there is no sign of the conflict ending. All offers of a ceasefire to Tehran have been rebuffed. Iraq's President Saddam Hussein has said that is is possible that the war could continue for another two or three years.

A truce or a ceasefire even on present Iraqi terms will only bring with it sovereignty for Baghdad over the Shatt al-Arab waterway which flows past Basra and Abadan to the Gulf. Such a gain will be largely symbolic but the Iraqi leadership can hardly finish the present war without something to show their own people. "They passionately want to end the war," said a diplomat in Baghdad last month.

When the Camp David agreement between Egypt and Israel was signed in 1978, Iraq moved into the forefront of Arab politics. As the third largest oil exporter in the world and in possession of a large army, Baghdad could have become the new centre of gravity in the Middle East in place of Egypt. President Saddam Hussein, it was even speculated, would become the new Nasser.

Instead, Iraq decided to face east not west, against the enemy in Tehran rather than the one in Jerusalem and this decision reduced to impotence the alliance of Arab states which Iraq had fostered.

The Government is eager to protect the population from the consequences of war. Consumer goods are more readily available in the shops than at any time over the past decade. The families of those killed at the front receive heavy compensation.

Over the last year the West Germans have been particularly successful but are still behind Japan which exported goods worth £1.2bn in 1980. A big company like Marubeni has 28 work sites up and down the country, on which are employed some 1,000 Japanese and 7,000-8,000 labourers, mostly Asians.

Few Iraqis are now working on such sites. A substantial proportion of the total labour force, some 250,000 men out of 3.5m, are with the armed forces.

Contractors are also worried by bottlenecks. Before the war with Iran the main southern port of Basra was heavily congested and Umm Qasr provided only partial relief. The closure of Basra has worsened the situation. Almost everything now comes overland via Turkey, Jordan, Kuwait, Syria and Saudi Arabia.

The rest of the Iraqi economy can also cope if the war gets no worse. Oil production is down by two-thirds from pre-war levels to some 900,000 barrels a day. This is piped mainly through Turkey to the Mediterranean. This may be increased slightly by greater use of the trans-Syrian pipeline.

Foreign exchange reserves have been drawn down from about $35bn at the beginning of the war. Some diplomats in Baghdad now suggest that they may be as low as $20bn, even including substantial loans from Saudi Arabia, Kuwait and the Gulf states.

The Iraqi Government and the ruling Baath party are both tough and capable. There is no sign of internal dissidence within Iraq becoming a real danger to the authorities.

The growing political conflicts in Tehran may assist Iraq but it does not look at present if they will bring an end to the war any nearer. Ayatollah Khomeini sees the war, whatever its real nature, as a test of the Islamic revolution. To end it with some vague compromise on exactly where a territorial dividing line in the Shatt al-Arab should be drawn would deny his whole ideology.

Saddam Hussein: "War could continue for three years."

Iran has warned France that it would "react appropriately" if France, home for many Iranian exiles, became "a centre for counter-revolutionaries," Mr Behzad Nabavi, a government spokesman, was reported as saying yesterday, Reuter reports from Ankara.

Iran's official Pars news agency quoted Mr Nabavi as saying in Tehran that France's behaviour in accepting deposed President Abol Hassan Bani-Sadr as a political refugee last week was "an unfriendly act on the part of France."

Pemex oil price for U.S. may annoy other buyers

MEXICO CITY — Pemex, Mexico's State petroleum monopoly, has announced a new pricing policy that gives preference to the U.S. and is sure to annoy some of its other customers.

The company said that, next month, its lightweight Isthmus crude, used to make petrol, will be sold to the U.S. at $34.50 a barrel. The same crude will cost European countries $36 a barrel and Japan, which buys 100,000 b/d from Mexico, $36.50 a barrel.

Pemex said the price of Mexico's heavy Maya crude will show a similar variation, at least during August, with the U.S. paying $29 a barrel while Europe and Japan pay $30 and $31 respectively.

There was no immediate explanation of why the U.S. was to be given preferential treatment. In the past, Pemex officials said, Mexico's oil prices did not vary substantially from country to country.

In the case of Japan, Pemex was said to be punishing the country for having turned down an offer to increase its purchases of Mexican crude by 200,000 b/d.

Confusion has reigned over Pemex's pricing policy since Sr Jorge Diaz Serrano, a leading contender for the Mexican presidency, resigned as Pemex director on June 6 amid criticism from other officials for reducing the price of Maya crude by $4 a barrel.

Sr Diaz Serrano did not alter the Isthmus price, which was selling for $38.50 a barrel when he left office.

Sr Diaz Serrano was replaced by Sr Julio Moctezuma Cid, an assistant to President Jose Lopez Portillo. Sr Moctezuma Cid has cut the price of Isthmus crude by about $4.50 a barrel.

The fact that prices have continued to drop since Sr Diaz Serrano resigned has led many to believe that criticism of Sr Diaz Serrano was prompted by his political opponents—other contenders for the presidency—rather than any real error he might have made in reducing the price of Maya crude.

Mexico's oil exports in August will total 1.4m b/d, an increase of about 300,000 barrels over June when the country was hit by the worldwide supply glut, Pemex said.

It said Mexico's oil export earnings will total $15bn (£8.3bn) by the end of this year, an increase of 50 per cent over 1980.

AP

Chrysler sales up 16% in July

BY PAUL BETTS IN NEW YORK

CHRYSLER, the third largest U.S. car manufacturer which last week reported its first quarterly profit in more than two years, said yesterday its sales last month increased 16 per cent to 58,508 cars compared to July last year.

But the increase in July sales was largely due to Chrysler's heavy programme of price rebates on its models to encourage sales at a time of high interest rates.

The company said yesterday it will begin a new programme of cash rebates to maintain its sales momentum in a market which is continuing to struggle under the burden of near-record interest rates.

Chrysler's latest programme will offer cash rebates from $300 to $1,000 directly to customers when they buy certain Chrysler models.

The Chrysler rebates are the most costly so far offered by a U.S. car manufacturer. They reflect increasing concern over a continuing slowdown in car sales generally, which threatens to wipe out the profits reported in the second quarter by the main U.S. car makers.

Ford yesterday reported an 11 per cent decline in car and truck sales last month compared with July 1980. Total car and truck sales amounted to 169,805 compared with 190,841 cars and trucks in the same month last year.

The decline, in Ford's case, was heavier for trucks, whose sales dropped 20 per cent compared with a 4.9 per cent decline in car sales.

Ford too has started a new incentive programme, giving Ford dealers $150 to $1,000 for various car models which they can then pass on to customers as a credit towards a down payment, either as an interest rate subsidy or a lower price for a specific model.

General Motors, the largest car manufacturer, which was expected to report its July car sales figures later yesterday, announced last week a plan to subsidise the interest rate its customers pay for new car loans during this month.

Bolivian rebels gain support

By Our Correspondent in La Paz

REBEL TROOPS in Santa Cruz appear to be consolidating their hold as the fourth coup attempt in Bolivia since early May gained support from military units and civilian groups throughout the country.

Gen Alberto Natusch Busch said yesterday the rebels would maintain their position until Gen Luis Garcia Meza resigned the presidency. Labour organisations and political parties continued to declare their support for the uprising.

Earlier, a rebel statement issued in La Paz said workers at the Palmasola oil refinery in Santa Cruz—Bolivia's largest—showed their support for the rebels by shutting off the pipeline serving La Paz and Cochabamba, the country's third-largest city.

A presidential spokesman said Gen. Garcia Meza was tending to his normal duties.

The President's spokesman reiterated that "the problem is only in Santa Cruz."

Mortgage rates at record level

By David Lascelles in New York

U.S. MORTGAGE rates soared to record levels last week, carried up by the new surge in interest rates generally. The national average was 17.11 per cent, according to the federal Home Loan Bank board which regulates the home loan industry, exceeding the previous record of 16.88 per cent set last month.

Rates are widely expected to advance to even higher levels in the weeks ahead because of the continued deterioration of the credit markets.

Britain 'should give more aid to Caribbean'

BY HUGH O'SHAUGHNESSY

BRITAIN SHOULD give much greater assistance to the political economic development of the Caribbean, Mr Anthony Payne argues in a Chatham House Paper, Change in the Commonwealth Caribbean, published today.

In a document notably outspoken for a pronouncement from the Royal Institute of International Affairs on Third World issues, Mr Payne, a lecturer at Huddersfield Polytechnic says the problems of the region should not be seen in terms of the Cold War, as the British and U.S. Governments are tending to do, but rather in terms of ideological pluralism and national self-determination.

Britain, he strongly hints, has been standing in the way of the region's economic development, and he is biting about North Atlantic attitudes, for instance, to the new Grenadian Government of Mr Maurice Bishop.

"Grenada is no threat to Britain, and it is no threat either to the U.S., despite the extraordinary attention the State Department appears to give it," he writes.

He castigates British policy towards the Third World and criticises British responses to the Brandt Report and Cancum summit.

"British policy towards the Caribbean should not be made in isolation but should form part of a wider Third World policy designed to transform the structure of the international economy along more egalitarian lines," he concludes.

Senators' plea to Reagan on Irish hunger strikers

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT REAGAN was again urged to intervene over the Northern Ireland hunger strikers for both humanitarian and political reasons. This time the appeal came from 17 U.S. Congressmen and Mr Hugh Carey, the Governor of New York.

Last month, Dr Garret Fitzgerald, the Irish Prime Minister, made an unsuccessful appeal to Mr Reagan to intercede directly with Mrs Margaret Thatcher, the British Prime Minister. Mr Reagan declined, on the grounds that Northern Ireland was an

The signatories of yesterday's letter, however, said they believed the U.S., "can play an active role in ending the current deadly impasse." They said they were also deeply concerned that the hunger strikes were damaging relations between the UK, Ireland and the U.S.

The congressmen, who included Senators Edward Kennedy and Daniel Moynihan, as well as Mr Tip O'Neil, the Speaker of the House of Representatives, asked for an immediate meeting with Mr Reagan. They wanted "to discuss a role for the U.S. in seeking the earliest possible settlement of the crisis, before any further deaths occur," the letter said.

Japan takes bigger slice of Dutch car market

By Charles Batchelor in Amsterdam

JAPANESE manufacturers slightly increased their share of the declining Dutch car market in the first six months of 1981, at the expense of European and U.S. importers, according to the Dutch Motor Industry Association.

Despite the continuing fall of car sales, the association forecast some recovery in the second half of the year and said it expected total sales of 400,000-430,000, compared with 450,000 in 1980.

Sales by the seven Japanese companies accounted for 21 per cent of the Dutch market compared with 19 per cent in the same period last year. Japanese car sales fell by 5.6 per cent to 52,496 but this was a smaller decline than the 13 per cent to 251,588 recorded for the market as a whole.

Datsun and Honda both saw sales fall quite sharply to just over 12,000 cars while Mazda and Mitsubishi both increased sales, to more than 12,000 each.

General Motors of the U.S. remained the top-selling company, accounted for largely by its Opel models. But sales were 25 per cent lower at 34,458. The French Citroen/Peugeot/Talbot group also saw sales fall by 16 per cent to 32,887, but remained the second largest importer.

OAPEC urges end to flags of convenience

By Andrew Fisher, Shipping Correspondent

THE ORGANISATION of Arab Petroleum Exporting Countries (OAPEC) has strongly urged the phasing-out of flags of convenience in world shipping.

In its latest bulletin OAPEC said the developing countries controlled only a tenth of the world's shipping fleet but produced bulk cargoes such as oil and oil products accounting for two-thirds of world trade.

The airing of OAPEC's views comes a few weeks after a surprise vote at a special session of UNCTAD (United Nations Conference on Trade and Development) in favour of gradually ending flags of convenience or open registries.

OAPEC cited UN studies showing that open registry fleets had adversely affected the growth of national fleets, particularly oil fleets, of the developing countries.

Hitachi and GE in robot link-up

BY RICHARD C. HANSON IN TOKYO

HITACHI, the leading Japanese manufacturer of integrated electrical machinery, yesterday revealed a bold plan to provide General Electric of the U.S. with technology and know-how for advanced industrial robot production.

The pact represents Hitachi's most ambitious attempt to secure a position in the growing world market for industrial robots. Japan is the largest user of industrial robots in the world with 75,000 at work.

Initially, Hitachi said, it will ship completed "process" robots. These are computer-controlled general-purpose machines capable of, for example, arc welding and spray painting.

They will be sold by GE; in the U.S. and elsewhere, under the GE brand name. Starting this month, Hitachi expects to ship at a rate of about 200 units per year.

Hitachi agreed last December to provide technology, and complete robots, to a new U.S. robot venture, named Automatix. It will ship about five robots a month to Automatix.

In April this year, Hitachi moved into the UK market with a tentative agreement to provide its robots to Lansing Bagnal. Lansing will sell the robots under its own brand name.

To meet demand at home and overseas, Hitachi said it is more than doubling its present manufacturing capacity of 40 units per month.

It makes three "process" robot models, ranging in price from Y10m (£22,000) to Y30m.

The latest spate of international ties is part of Hitachi's strategy to catch up with other Japanese manufacturers, having started robot production less than two years ago.

Hitachi and GE have a long history of co-operation in several areas, including nuclear power equipment. GE apparently calculated that a tie-up with Hitachi is the best way to strengthen its still limited involvement in industrial robots.

Deutsche Babcock boosts Kawasaki ties

BY KEVIN DONE IN FRANKFURT

DEUTSCHE BABCOCK, the West German power station and engineering group, is to strengthen its links with the Kawasaki Heavy Industries group of Japan.

The company said yesterday that its existing areas of co-operation in power station building and environmental control technologies are to be extended to take in other sectors such as industrial process plant construction and general mechanical engineering.

The first move will be to extend the exchange of licences to these areas in the way it is already occurring in power station building.

Joint work between the two groups will then be extended to financial and technical co-operation on specific projects, particularly for the delivery of plants and machinery to third countries.

Babcock has been anxious for several years to extend its presence in foreign markets and to diversify its range of activities to compensate for the decline of the domestic market for conventional power plants.

This strategy, begun in the early 1970s, has now succeeded to the point where foreign sales accounted for 60 per cent of last year's turnover of DM 4.9bn (£1.06bn), compared with 58 per cent in the previous year.

Foreign sales last year rose by 16 per cent while sales in West Germany were up by only 8 per cent.

● Axel Springer, the West German publishing house, has broken off negotiations with Sony Deutschland on a planned joint video venture, Reuter reports from Bonn. One reason for the breakdown was the presence of legal restrictions preventing the marketing of U.S. films before 1985.

NCB trims surplus with sales to Israel

BY MAURICE SAMUELSON

THE FIRST British coal to be sold to Israel was loaded yesterday at the National Coal Board's deep-water terminal at Immingham on the Humber.

It is part of an order for up to 3.75m tonnes which Israel has agreed to purchase over the next five years for a new coastal power station at Hadera, on the Mediterranean south of Haifa.

The initial 12,000-tonnes cargo will be carried on an Israeli-chartered ship due to reach Israel in mid-August. A second load, of about 25,000 tonnes, will follow later in the month and by the end of the year about 60,000 tonnes will have been shipped.

Customers in Italy, Yugoslavia and Romania have also recently signed contracts with the National Coal Board which this year expects to export 10m tonnes of coal.

Export prices are said to be considerably lower than official domestic prices because of the Board's need to trim its coal surplus.

The latest purchases by Israel will help supplement larger orders which the country has placed with the U.S., South Africa and Australia.

Israel's electricity supply industry is being switched to coal following the peace agreement with Egypt under which Israel gave up the Red Sea offshore oil fields.

The 1,400 Megawatt power station at Hadera is due to be fully operational by 1985. Another coal-fired stations is to be completed two years later further down the Mediterranean coast south of Tel Aviv.

Heavy industry in Israel, such as the Nesher cement company, is also switching from oil to coal.

U.S. faces widening textiles trade gap

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE U.S. Administration's textile negotiators—due to return to Europe next month for resumption of the Gatt Multi-Fibre Arrangement negotiations—have been given a pointed reminder by the industry that the U.S. trade gap in textiles is continuing to widen.

Latest figures from the industry, which is pressing, like its European counterpart, for tough new controls on low-cost imports, show an increase of 10 per cent in the volume of textile and clothing goods being delivered to the U.S. in the first six months of 1981, at 2.7bn sq yds equivalent.

The value of imports rose 13 per cent over the first half of 1980 to $4.8bn (£2.6bn). Exports rose more modestly by 9 per cent to $2.6bn. The trade gap widened to $2.2bn, an 18 per cent rise on the same period last year.

The American Textile Manufacturers Institute, the body which represents the industry, has been pressing again, in common with European producers, for growth in imports to be tied to the expansion of the domestic market.

So far this year, it points out, there has been little increase in consumption, with the result that imports are taking a bigger share of the final market.

Further the position of U.S. producers has been weakened in the export markets by the rise in the value of the dollar against major currencies around the world.

In the UK, for example, there have been signs for some time of a tailing-off in the U.S. penetration of the market, built up during 1979 and 1980 when the pound was strong.

The U.S. industry is hoping the Reagan Administration can be persuaded to direct new restraints specifically at the three leading Far East suppliers—Korea, Taiwan and Hong Kong.

These three, together with China accounted for three-quarters of the current import surge into the U.S., the President of the institute, Mr Robert Coleman, claimed in a speech to Southern textile manufacturers.

In Britain, increased optimism over exports is one of the main features to emerge from the latest CBI/NEDO textile trends survey. For the first time since January 1979, companies expressing greater confidence over prospects in overseas markets exceeded those which are more gloomy.

For the first time, since April 1980, too, retailers are reporting an increase in their sales of textile products, and an end to destocking.

Substantial export orders have been won from Germany and Holland for a new range of machine washable breeches and jodhpurs, the riding specialists Harry Hall, part of the Austin Reed group, reports.

Boeing expects 55% of new jet market

BY MICHAEL DONNE IN SEATTLE

OVER THE next 10 years, 4,700 new jets worth $122bn (£67bn) are likely to be sold to the world's airlines, officials of Boeing, the major U.S. manufacturer, said yesterday.

Boeing's own share of the market could be about 55 per cent, the officials predicted. They were speaking as the twin-engined Boeing 767 was formally rolled out of its assembly hangar in Seattle.

Within the total, Boeing sees possible sales of at least 1,200 for the new 767, a similar number for the new and smaller 757 airliner, due to roll out in five months time, and sales of about 600 more of the 737 jet.

The reasoning behind the predictions is based on the fact that the age of the existing world airline fleet is increasing. About 1,600 of a total fleet of 5,800 jet airliners are between 13 and 16 years old. At least 500 jets are between 17 and 22 years old.

With a substantial replacement market being generated, Boeing is working not only on the 767 and the 757, but on two other possible programmes, neither formally announced, but both attracting considerable detailed engineering and marketing research.

The first of these is the "Boeing 7-7"—a twin-engined airliner design but smaller than either the 767 or 757 and designed to carry about 150 passengers.

Boeing is discusing with major U.S. and other airlines the possibility of developing such an aircraft in competiton with a joint McDonnell Douglas and Fokker project, the MDF-100 and the A320, now being developed by the European Airbus Industrie group.

Boeing says a final decision to launch the 7-7 will not be taken until there is suitable engine available and until the market is right. It does not see this happening much bofore the early part of 1983.

The Boeing 727: re-engined "it could create a new market for several hundred aircraft."

The other new venture on which Boeing is working is a re-engined version of the existing highly successful version of Boeing 727 jet airliner using two engines instead of three at present.

There are already in service some 1,500 Boeing 727s worldwide, many of them having been in use for between 10 and 15 years. By re-engining the 727, Boeing believes it could create a new market for several hundred aircraft.

This would preclude the need to develop the proposed new 7-7, but would certainly generate an enormous volume of interest among the airlines who believe they could get a new aircraft at a much cheaper rate.

The re-engined 727 would use either the Rolls-Royce RB-211 engine in its Dash 535 version, or the new Pratt and Whitney PW-2037 engine.

One problem of re-engining the 727 would be cost—this might be about $14m for each aircraft, although using the Rolls Royce engine would be a little cheaper than using the Pratt and Whitney power plant.

Even at that price, an airline could buy a new 737 jet that would be only just a little smaller but would still do a perfectly good job on short-haul routes.

Idealism takes back seat as Venezuela changes tack in troubled region

BY KIM FUAD IN CARACAS

GROWING instability in Central America and two years of unabashed pragmatism by Venezuela's President Luis Herrera Campins have steered the country into foreign policy decisions which contrast markedly with the buoyant idealism of his predecessor, Sr Carlos Andres Perez, and have increasingly aligned the country with U.S. policy objectives in the Caribbean.

Lofty goals marked the Perez presidency from its early days in 1974 when Venezuela sailed boldly into the mainstream of world affairs on a floodtide of oil revenues. The Government pledged itself to a foreign policy for the continent based on a strengthening of the five nation Andean Pact and a joint approach towards relations with Opec and Western Europe.

Since 1979, it has retreated under President Herrera into a more traditional reliance upon bilateral relations. The attempt to forge new regional initiatives has been effectively abandoned and Venezuela still finds itself as enmeshed as ever in long-standing border disputes with its neighbours.

Dr Herrera's chief foreign policy strategist, Sr Jose Rodriguez Iturbe, cites five basic guidelines for the present administration. These are non-intervention in Latin American affairs, independence from ideological blocs, a discouragement of superpower rivalries in the region, an upgrading of the Organisation of American States (OAS) and the establishment of a new international economic order.

President Herrera (left) and his predecessor Sr Carlos Perez.

These have been pursued with a sometimes confusing combination of pragmatism and idealism—for Venezuela has not entirely abandoned its leadership role as a major oil exporter and a driving force behind the creation of Opec in 1960.

Even before the 1973 oil crisis, Venezuela had begun to define its role in world affairs thanks to the platform provided by oil. When Opec stepped forward, Venezuela was the best-prepared member to take advantage of the new circumstances and has remained in the forefront of Opec politics ever since.

President Perez, a canny and bold politician, pushed this advantage to the hilt during his 1974-79 term. He implemented a personal style of conducting foreign policy which took him to virtually every country in his hemisphere as well as Europe and the Middle East.

When Dr Herrera took office in March 1979, most observers viewed him as a stay-at-home president, devoted to resolving pressing domestic problems. But when asked by a reporter if this was the case, he retorted famously: "Don't be silly. I know more about international affairs than Perez and I will pursue a vigorous foreign policy of my own."

Dr Herrera does, in fact, have impeccable international credentials, having studied in different parts of Latin America and Europe. He has held international posts in the Christian Democratic Party and emerged before 1979 as a widely-known spokesman for his colleagues.

Since 1979, he has given foreign policy top billing, outtravelling even the foot-loose Sr Perez. "We are conscious of the importance of our presence in the continent and in the world," he told the nation last March on the second anniversary of his investiture.

Despite brave words, however, the record of his achievements is rather mixed. Dr Herrera has proven no more adept than his predecessors at resolving smoldering border disputes with Colombia and Guyana. In fact, a combination of clumsiness and circumstances has deepened these problems. Colombian claims to a large slice of the strategic Gulf of Venezuela, doorway to Venezuela's vital Lake Maracaibo oilfields, remain in contention, with Venezuela insisting on a bilateral settlement and Colombia pressing for international arbitration.

Guyana has been no easier, with President Forbes Burnham characterising Venezuela's near century-old claims to two-thirds of the former British colony's territory as "neo-imperialistic."

Efforts to turn the Andean Pact — comprising Venezuela, Colombia, Ecuador, Peru and Bolivia—into an effective political bloc have also gone awry. The group unsuccessfully tried to resolve the civil war in Nicaragua and then suffered a major dislocation as Peru and Ecuador went to war and Bolivia suffered yet another of its chronic political upheavals.

In the Caribbean and Central America, Venezuela has swung to the right, provoked in part by Cuban pugnacity, but guided more importantly by former foreign minister Aristides Calvani, a conservative Christian Democrat who is Dr Herrera's ambassador extraordinary in the region.

The swing to the right has put Venezuela more into line with U.S. foreign policy in the area. While a number of differences in outlook remain, relations have improved and contrast sharply with the verbal barrages former President Perez regularly launched against Washington.

In Western Europe ideological ties with Christian Democrats have apparently strengthened Venezuela's links, but probably no more so than under Sr Perez who was closely united to Europe's Social Democrat parties. Venezuela is now attempting to broaden trade with Europe, under special oil supply agreements.

Relations with the Communist countries have been ambiguous. While maintaining normal relations with the USSR and its satellites, Venezuela has drawn closer to China, reflecting its current quarrel with Cuba, the Soviet Union's proxy in the Caribbean. The recent visit of Mr Jose Alberto Zambrano Velasquez, Venezuela's Foreign Minister, to China underlined this development.

The most important single achievement in Venezuela's foreign policy to date has probably been the agreement signed this summer with Mexico to supply Central American and Caribbean nations with 160,000 barrels per day of oil under very favourable credit conditions. This stands out as a practical effort to ease regional economic pressures which have provided fertile ground for Cuban-sponsored subversion.

Energy Review: Refinery closures

By Sue Cameron

Casualties in the changing pattern of oil demand

BP OIL'S refinery at the Isle of Grain in Kent is expected to be only one of many casualties in the European oil industry's struggle to adapt to radically changing patterns of demand.

Overall sales of oil products in Europe have slumped dramatically and few now believe they will ever return to the buoyant levels that were still being predicted only two years ago. But at the same time the demand profile has altered radically so that it is now heavily weighted towards the transport fuels and the petrochemicals raw materials that are produced from the light end of the barrel.

The major oil companies are therefore having to invest large sums in upgrading equipment so that they can turn more of their crude into the petrol and jet fuel that the customers want. Yet they are having to do it at a time when their profits are down because so many of their refineries are still designed to make large quantities of fuel oil and other heavy oil products for which there is little call today.

The present oil glut has exacerbated their problems. The recession has brought reduced demand for all forms of energy, including oil. Meanwhile, Saudi Arabia has been keeping her crude output at unprecedentedly high levels in an attempt to force other members of the Organisation of Petroleum Exporting Countries into line on pricing.

These two factors have helped to bring the oil companies' downstream crisis to a head. Something will have to give. And that something is going to be a clutch of major European oil refineries which will have to be shut, permanently.

BP's announcement last Friday that it planned to close its 10.5m tonnes a year Kent refinery brought immediate speculation as to which of the other oil companies would be first to follow suit. Shell was the hot favourite in the UK. The group promptly denied that it intended to close any of its British refineries. But it admitted that it wanted to shed more jobs at Shell Haven, the second biggest of its four UK refining complexes.

The BP move also led to accusations that the oil industry was planning to concentrate its refining operations on the Continent at the expense of UK jobs and to the detriment of the UK's balance of trade.

The Association of Scientific, Technical and Managerial Staffs—ASTMS—warned that oil-rich Britain could end by having to rely on regular imports of oil products from the rest of Europe. The union has also demanded that the Government should put pressure on the major oil companies to refine their North Sea crude in the UK.

The decline in demand has been considerably greater in the UK than in other European countries with sales of oil products falling by 28 per cent between 1973 and 1980. There are several reasons for this. One is that the recession has bitten deeper in Britain than on the Continent. Another may be that UK energy conservation measures have proved more effective than those in other countries. A third is that the substitution of coal for oil in power stations is far more marked in the UK than on the other side of the Channel.

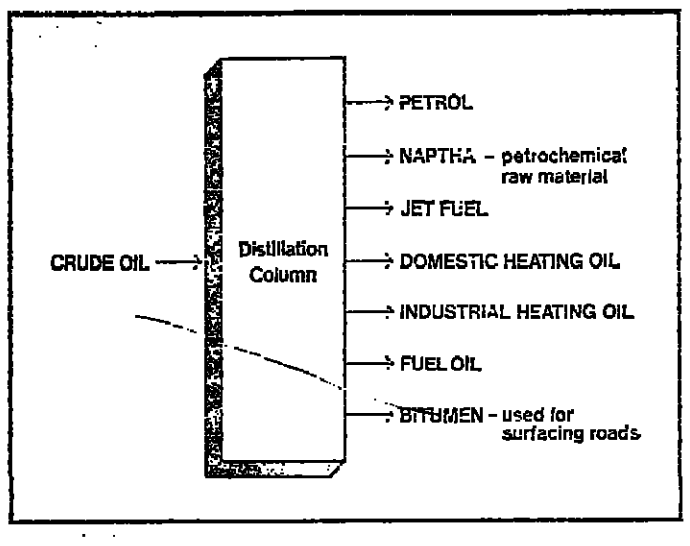
Britain's refineries have been almost entirely geared to serving the domestic market and only small quantities of oil product have been exported. ASTMS therefore has some justification for its obvious fears of further refinery closures in the UK. There is far less reason to think that the oil industry will simply transfer its refinery investment programme to the Continent.

The picture there offers cold comfort to senior oil company executives. Sales may not have dropped as sharply as in Britain but they are still down—with a vengeance. Between 1973 and 1980 demand in France dropped by 13 per cent and that in West Germany declined by 10 per cent. The fall in consumption for Western Europe as a whole during the period was 10 per cent.

Western Europe's total refining capacity currently stands at around 1bn tonnes a year. But today capacity utilisation is running at a mere 58 per cent.

This figure will doubtless improve a little as and when the recession ends. But only a little. Industry experts insist that the downward trend in demand for oil products will prove to be largely irreversible.

BP Oil, for example, does not expect UK consumption to rise much above 70m tonnes a year once the recession is over—hardly a significant improvement on the estimated demand figure of 65m tonnes this year. And even when the Kent refinery is shut, Britain will still have an annual refining capacity of 110m tonnes unless more closures are announced.



Demand for the heavier oil products such as fuel oil, which is used to power plants, and gas oil, which is used chiefly to make heating oil, has fallen most steeply throughout Europe. This means that the worst overcapacity lies in what the oil industry calls basic distillation units.

Crude oil is heated to a high temperature and pumped into a tall distillation tower, which is pressurised and which is hotter at the bottom than at the top. The various oil products have different boiling points and the lightest ones have the lowest. When the crude enters the tower, the heaviest part of it remains liquid and falls to the bottom. The rest is vaporised but the various constituent products turn back to liquid as they reach the lower temperatures higher up the column. They are then piped away.

Refiners can vary the amount of each product they obtain by using different types of crude oil and by altering the temperature and pressure in the tower—but only to a certain extent.

They are always left with a certain quantity of each product and a fairly high proportion of fuel oil. Most North Sea crudes, for example, are rich in the lighter products. But when they are put through a basic distillation unit, the yield of fuel oil from them is still between 25 and 35 per cent.

However, fuel oil consumption is dropping fast. Esso estimates that in 1973, some 46 per cent of the total demand for oil products was for the heavier ones—primarily fuel oil. Demand for middle distillate—such things as industrial heating oil—was 28 per cent of the total, while that for the lighter petrol and petrochemical feedstocks was 26 per cent.

But by 1979 only 38 per cent of total oil demand was for heavy products. And consumption of middle distillate and light products—as a proportion of total oil sales—had risen to 33 per cent and 29 per cent respectively.

Today Esso is forecasting that by 1985 a mere 29 per cent of total oil demand will be for heavy products, while middle distillate will account for 35 per cent of total sales and light products for 36 per cent.

Given that this rapid change in the demand profile is taking place against a background of a significant overall drop in European oil sales, the reasons for the industry's need to start shutting refineries becomes much clearer.

Industry experts believe Western Europe will have to close at least 30 per cent of its present refining capacity—the equivalent of more than 300m tonnes a year. And it is the older refineries, that have a lot of basic distillation capacity and little upgrading plant, which will have to go.

The move to shut excess refining capacity in Western Europe is already well advanced. Two months ago Burmah announced the closure of its refinery at Ellesmere Port in the UK—a comparatively small plant—even though the decision will mean the loss of 1,100 jobs. Then Esso announced plans to shut one of its four refineries in West Germany, although so far it has declined to say which one.

Then came BP's decision to shut its Kent refinery. Attention in the UK has been understandably focused on the Isle of Grain, particularly as the closure will mean the loss of almost 1,700 jobs. But BP has also said that it intends to shut a further 15m tonnes of its refining capacity in Western Europe—mainly in France and Germany.

Among the European refineries that will survive the present crisis will be those that are currently being modified so that the heavier products obtained from basic distillation can be turned into petrol and petrochemical raw materials. One way of doing this is by installing catalytic crackers. With the aid of a catalyst, the chains of molecules in, say, fuel oil, can be cracked apart to form the lighter products for which demand is still comparatively buoyant.

But putting in "cat" crackers or other upgrading equipment is a costly business. BP alone, for example, spent £100m on new equipment for its UK refineries last year plus a further £90m on its continental plants. The group is likely to spend similar sums this year.

The European oil industry as a whole has been installing upgrading equipment at its refineries for some years because it foresaw the switch in demand from heavier to lighter products. What it did not predict was the speed and degree to which the demand pattern would alter—nor the startling drop in overall oil consumption.

Total demand is continuing to fall. Between February and April this year, for instance, UK demand for fuel oil dropped by 21.5 per cent compared with the same three months in 1980. Petrol sales—which the industry had never expected to fall although it had predicted lower growth rates in consumption—dropped by 0.6 per cent compared with the same period last year.

The figures show that demand is weakest for the heavier fuel oil although it has only dropped slightly for the lighter product, petrol. And the picture is similar, if rather less dramatic, in the rest of Europe. Should the major oil companies have been able to foresee the steep reduction in demand and so have brought their production into line with consumption earlier and perhaps less painfully? The answer is almost certainly no. The change has come too quickly—in only 18 months.

For all their power and wealth—and their extensive planning departments—the oil companies are no better able to read the future than the rest of us. But even if they had been, the threat of closure would still have been lying across some of Europe's major oil refineries.

APPOINTMENTS

Channel Tunnel company formed

Following Tarmac and George Wimpey's decision to promote jointly the Channel Tunnel project, a new company has been formed—CHANNEL TUNNEL DEVELOPMENTS (1981). Included in the company are the merchant banks Robert Fleming and Co., and Kleinwort Benson.

Chairman of the new company is Mr A. P. de Boer, a director of Tarmac, Steel Brothers Holdings, Tomatin Distillers and Anvil Petroleum. He is also a director of a number of private companies, including the National Bus Company. He has been chairman of the British Road Federation since 1972.

Other directors are Mr T. T. Candlish, a managing director of George Wimpey; Mr A. Osborne, managing director of Tarmac Construction; Mr P. J. G. Elwes, Kleinwort Benson; Mr D. C. F. Pearson, Flemings; Mr K. S. Bowden, Wimpey; Mr G. C. Cummings, Tarmac; Mr A. F. Gueterbock, Wimpey; Mr T. H. Holland-Bosworth, Kleinwort Benson; Mr M. J. Hemingway, Tarmac; and Mr C. M. Moore, Flemings.

INTERNATIONAL ENERGY BANK has promoted Mr David M. K. C. Jones to executive vice president.

★

Mr John D. W. Hallows a partner in the Nairobi, Kenya, practice of DELOITTE HASKINS AND SELLS, is transferring to partnership in the firm's Newcastle office.

★

KCA DRILLING GROUP has appointed Mr John Wilson and Mr Keith Bowie to the Board. Mr Wilson is deputy managing director of KCA International. Mr Bowie is general manager of KCA Offshore Drilling and is responsible for the drillship Polly Bristol.

★

ELECTRONIC RENTALS GROUP has appointed Mr Edward F. Guyver as director of finance and administration and Mr Georg Schaaps as technical director of Colorent-Visionhire Gerusehvermietung, the group's television rental subsidiary in the Federal Republic of Germany.

★

FINANCE FOR INDUSTRY has appointed Mr Peter Moody a director of the company and its principal subsidiaries, FFI (UK Finance), Finance Corporation for Industry and Industrial and Commercial Finance Corporation. Sir Francis Sandilands and Mr P. F. G. Hildesley have retired as directors of the company and its principal subsidiaries.

★

Mr Alan Green has been appointed deputy chief executive by LEICESTER AND COUNTY CHAMBER OF COMMERCE AND INDUSTRY. Mr Green, deputy secretary, will become chief executive in July 1983, when the present chief executive, Mr H. Leslie Milliard, retires.

The Employment Secretary has appointed Professor C. Blake, head of department of economics at Dundee University, as deputy chairman of the CLOTHING INDUSTRY WAGES COUNCIL.

★

Stone-Platt Industries has appointed Mr John Harrap to the Board of PSL INTERNATIONAL as international marketing director. Since 1956 Mr Harrap has been managing director of Parks-Cramer (Great Britain), a company jointly owned by Parks-Cramer Company of Fitchburg, Massachusetts, and Platt Saco Lowell. He will be retaining his appointments as a UK director, as a main Board director of the American company and also as a director of Nippon Parks-Cramer in Osaka, Japan.

★

SWAN NATIONAL RENTALS has made the following appointments: Mr John Leigh moves up from operations manager to UK director and operations manager. Mr David Wilsher is promoted to director and fleet manager from fleet controller.

★

HANGER INVESTMENTS has made the following appointments: Mr Alex D'Adda, of Interleasing (UK), Mr Richard Simey of Hanger of Nottingham, and Mr Tony Walker of Hanger of Birmingham have become directors. In addition to their main Board duties each will continue his role as managing director of his respective member company.

★

Mr Hugh Bone has been appointed managing director — international operations, of ROCKWELL INTERNATIONAL'S brake and trailer axle division with responsibility for all activity outside North America. British-born Mr Bone was previously managing director for Rockwell Bremsen in West Germany and retains responsibility for the Bremsen facility. He will be based at the Rockwell International offices, close to London Airport.

★

At W. M. SHAKESHAFT, Mr Neville Whitbread has been appointed managing director and Mr Basil Collins as an executive director. In addition, Mrs Klara Shakeshaft, widow of Tim Shakeshaft, founder of the business some 30 years ago, has become a non-executive director.

★

FLUKE (GB) has appointed Mr Derek Holstead as managing director of UK operations based in Watford.

★

Mr M. J. Allwood has been appointed group managing director BROWN JENKINSON AND CO. Mr A. M. Marfleet, following the formation of Brown Jenkinson (Chartering) is appointed chairman of this company. He will continue as parent company secretary. Mr H. G. Baehr will concentrate his main board role on corporate sales and marketing including travel trade. Mr T. N. O'Neil is appointed assistant parent company secretary, responsible for group administration and personnel in addition to his existing functions in DCD (UK) Container Services.

★

Mr Daniel Brewin has been appointed director of operations at MANCHESTER INTERNATIONAL AIRPORT and is expected to join the Airport Authority in September. Mr Brewin is passenger sales manager (London) with British Airways.

★

SURREY COUNTY COUNCIL had appointed its new director of social services, Mr Graham Gatehouse deputy director of social services for West Sussex County Council. He succeeds Mr Ronald Potter, who retires in November.

★

Mr Peter J. Davis has resigned as non-executive director of JAMES AUSTIN STEEL HOLDINGS.

MPs attack cash aid for island tourist development

By David Tonge

TROUBLE hit Britain's aid programme yesterday in the unlikely form of the Turks and Caicos Islands.

MPs were struck last year by the decision to spend £3.94m of the dwindling aid budget to help Club Mediterranée tourists visit the hurricane-prone islands 150 miles north-east of Cuba.

Yesterday the Commons Foreign Affairs Committee reported that it was shocked by its findings. The project was ill-conceived and of dubious value and the Foreign Office had bargained away such gains as the islanders might have had.

It found the whole decision-making process at the Overseas Development Administration open to severe criticism. The original costing turns out to be wrong. £740,000 more is needed.

The project involves building an airport and roads on the island of Providenciales necessary to back up a tourist village.

The report says that Club Mediterranée's plans provide a "prime example" of a tourist industry which benefits only its developers.

The Overseas Development Administration "failed to pay sufficient attention" to the social consequences of putting a 650-bed tourist development on an island of not more than 1,000 people. It questions spending £4,000 per head of the population on this small island, and asks why the island group, with a mere 7,500 people, should need three international airports.

It suggests that the administration altered figures to avoid suggestions that the project was not viable.

The main British interest in the islands has long been their proximity to Caribbean sealanes. There is an airfield under U.S. Air Force control on Grand Turk, where the capital is.

Revenue from the U.S. base, tourism, and export of spiny lobster and conch are the mainstay of the island's economy.

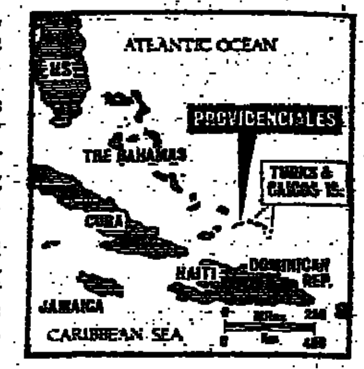
In June 1979, the Club Mediterranée and a U.S. property company owning 70 prime acres on Providenciales proposed a tourist project to the Turks and Caicos Islands Government, which approached Britain for aid.

The committee says there should have been a more careful look at alternatives to tourism such as fishing, particularly given the extension of the widespread coral islands' territorial waters to 200 miles.

It is particularly critical of the failure to persuade the Club Mediterranée to avoid the one island with no unemployment, and the one furthest from existing airports.

Of the Foreign Office it says it is "difficult to understand" the generosity of the tax concessions to Club Mediterranée, and the "ridiculously low" initial rate of bed tax.

The club is exempted from all taxes on profits, gains or turnover, capital taxes and property tax for 20 years. The bed tax is one-tenth of the rate charged on comparable islands.

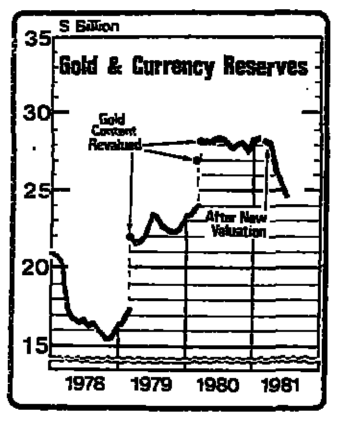


Gold and foreign reserves fall

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN'S official reserves of gold and foreign currency fell last month by the largest amount for nearly two years. The drop was less than many City analysts had feared during a period when sterling was weak.

Treasury figures published yesterday show the reserves dropped in July by $1.06bn to $24.57bn (£13.3bn). After adjusting for the repayment of official debt and other transactions, the underlying drop was $418m. This compares with an underlying decline of $388m in June and is the largest fall since September 1979.



The implications is that the Bank of England may have become more active in the foreign exchange markets than previously in smoothing fluctuations and in stabilising the rate. There remains no exchange rate target nor any attempt to defend any particular level of sterling.

The scale and frequency of the Bank's operations appear to have been less than were widely expected. The size of the net decline suggests that trading in sterling was in both directions.

The underlying fall in the reserves was smaller than during the 1976 crisis and much less than the very large changes reported in France and West Germany as a result of operations by their central banks to hold up their currencies.

Apart from the underlying fall, the other main influences on the reserves included the repayment of the final $550m tranche of the $2½bn British Government Eurodollar loan raised in 1974 and a repayment of $76m of the International Monetary Fund oil facility.

Various public sector bodies repaid loans under the exchange cover scheme amounting to $80m. This included $55m by the National Coal Board and $18m by British Rail.

The value of the UK's holdings of gold was increased by $51m as a result of the revaluation at the quarterly rollover of the European Currency Unit swap facilities.

This is upart of the European Monetary System whereby the UK deposits a fifth of its reserves on a quarterly revolving basis in exchange for European Currency Units, the weighted currency of the EEC.

The rise in the valuation arises because the European Monetary Co-operation Fund values gold at a higher price than gold is valued in the UK's official reserves.

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Private Patients Plan buys Cavendish Centre

BY ERIC SHORT

PRIVATE PATIENTS PLAN, the second largest medical insurance company, will expand its activities in the private health sector by acquiring the Cavendish Medical Centre from Debenhams.

The centre was set up in 1969 and has built a high reputation for medical screening. It also offers an immunisation service.

Up to now Private Patients Plan has concentrated on providing medical insurance schemes to meet the costs of private treatment, marketing individual and company schemes.

The acquisition is a significant expansion of the company's operation.

British United Provident Association, the largest medical insurance company, has diversified its operations for many years, including private hospitals and screening facilities.

The BUPA Medical Centre screens thousands of people each year, including executive and employee check-ups.

The name of the Cavendish Centre will be changed to PPP Medical Centre, though the screening facilities will be available to non-subscribers.

Office staff laid off by 'one in four companies

By James McDonald

ONE COMPANY in four is making office staff redundant because of the recession, according to a national survey by the Alfred Marks Bureau. The survey was conducted in March and April among 381 employers of office staff.

It found nearly half the sample reported office employees consciously working harder to keep their positions, and that three-quarters of the sample had a lower staff turnover than in April 1979, before the recession.

Mr Bernard Marks, chairman of the bureau, said employers had been forced to reorganise their businesses. "In addition to the 25 per cent who have already made redundancies 43 per cent have reduced staff by natural wastage and 9 per cent by offering voluntary redundancies."

Increasing numbers of applicants were applying for every job offered, almost doubling the April 1979 figure in some areas.

More rigorous recruitment procedures were adopted by employers. The average interview-time had been extended

With fewer positions open, more qualified staff were accepting less senior jobs. According to 44 per cent of the sample this had led to a much higher general quality of office staff.

New technology was not a major factor in staff reductions. The survey found that although 34 per cent of the companies installed a word-processor after April 1979, only 13 per cent said it reduced staffing levels.

The survey, Recruitment in Recession, accompanies the bureau's regular quarterly survey of office salaries.

It says job prospects for the thousands of secretarial college-leavers this summer are bleak, with demand for office staff confined to well-qualified and experienced people.

In the March-May quarter the average Central London office staff salary (all-ages, all categories) was £171 higher than in the previous three months. This represented an annual increase of 15.5 per cent. The average salary in April was £4,565.

Survey of Secretarial and Clerical Salaries; Statistical Services Division, Alfred Marks Bureau, 84-86 Regent St., London W1; £20.

A SECTION of the wedding gifts to the Prince and Princess of Wales, which went on display yesterday at St. James's Palace. There were about 1,200 presents. The display was insured for £4m.

The large teddy bear is from a Hong Kong cub pack. The smallest exhibit was a silver thimble and the largest a surfboard. But the King of Swaziland's gift, a large stone table, was not exhibited as it was so heavy that there were fears it would crash through the floor.

Children at the Pimlico kindergarten where the Princess taught sent a framed collage of the wedding-eve firework display. Jewels from the Middle East included sapphires as big as pigeons' eggs.

Spending cuts will force ¼m sackings, say councils

BY ROBIN PAULEY

LOCAL AUTHORITY leaders yesterday warned the Government that 250,000 people, including 100,000 in education, will have to be sacked next year, to meet the level of expenditure cuts demanded.

But the Government, while accepting local authority calculations that the public expenditure targets for next year could mean a cut of 10 per cent compared with present expenditure budgets, refused to change its figures.

"Local authorities should plan on the assumption that the present review of public expenditure will not allow for any significant increase in the Government's planned volume of current expenditure in 1982-83," Mr Tom King, Local Government Minister, told the Consultative Council of Local Government Finance yesterday.

Mr Jack Smart, leader of the Association of Metropolitan Authorities, said the local authority associations had calculated that 50,000 teachers would lose their jobs if the cuts were met and if they were met only by manpower reductions.

In addition, 4,000 firemen might lose their jobs and the Department of Health and Social Security would face an "unacceptable" cut in social services jobs.

Mr King told the local authority leaders that, in fact, the Government wanted a new cut of only 1 per cent next year.

But he accepted that the change to a new system of planning expenditure on a cash basis would imply an extra cut of 2 to 3 per cent if inflation assumptions were not adjusted. A final decision on whether or not to do that would be taken in the autumn. The other 5 per cent of the local authority's calculation of a 9 per cent cut was the level of this year's overspending which has not disappeared in revised budgets and which looks likely to persist until the end of the year.

The Government could not alter this year's target of having all of that excess eliminated and the basis of next year's spending would assume that spending at the end of 1981-82 is on target.

Mr Smart said councils had tried and failed to hit this year's targets because they were set too low

British Telecom optical fibre order likely

By Jason Crisp

A ROUND of orders for optical fibre is likely to be made by British Telecom in the next two months after a significant cut in prices by British manufacturers.

The latest order is expected to be for 1,250 miles of fibre for the junction network linking exchanges, out of an original requirement of about 3,000 miles. British Telecom rejected earlier tenders for the fibre as too expensive.

Last month British Telecom ordered 4,000 miles of optical fibre systems worth £15m from General Electric Company; Plessey with BICC; and Standard Telephones and Cables for the trunk network.

Optical fibres are strands of pure glass as thin as a human hair down which as many as 2,000 telephone conversations can be transmitted.

Last week the Government announced that it would spend £25m developing the opto-electronics industry over five years.

A second optical fibre link was connected to the public network in London yesterday. It links Croydon with the City via Vauxhall with part of the initial order for 2,250 miles of fibre, and was made and installed by STC.

Mr John Whyte, joint managing director of British Telecom, reaffirmed its commitment to optical fibres yesterday and said that it would stop buying conventional co-axial cable after March 1984.

STC said that it would not be affected by an out-of-court settlement in the U.S. by its parent company, ITT and Corning Glass, which holds patents for manufacture of optical fibre. A consent judgment in a district court in Virginia found that ITT infringed three Corning patents.

ITT was ordered not to infringe the three patents unless licensed directly or indirectly by Corning. STC emphasised that the position on UK patents was likely to be different, and that it would not seek a licence from Corning.

In the UK a Corning licence is held by BICC. Corning and BICC are building an optical fibre plant in Wales for £11.5m.

Nigerian tank order won by Vickers

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

VICKERS Defence Systems on Tyneside has won a £50m-£60m order from the Nigerian Government for about 40 Mark III Main Battle Tanks.

The order will be the first with Vickers to be placed in the company's proposed new factory at Scotswood, Newcastle upon Tyne. The factory, on the site of the former Vickers' Scotswood works, was announced in March last year and is to be built at a cost of £7.5m.

The order includes an undisclosed number of armoured support vehicles. These will also be built by Vickers on Tyneside.

The Main Battle Tank is to be fitted with a 105mm gun. The vehicle will be designed to take into account the Nigerian army's operational requirements and the local environment.

Machine tools for the production of parts for the order will be moved from Vickers' existing works at Elswick, also in Newcastle upon Tyne, to the new factory at Scotswood.

The new factory is also expected to be a main centre in Vickers for the production of other types of fighting vehicles and specialist commercial heavy engineering equipment, including heavy presses and container cranes.

Maurice Samuelson writes: Constructors John Brown (CJB) has won a contract to build a £9m plant at Jarrow, Tyne and Wear, on behalf of Rohm and Haas, the Philadelphia-based chemicals company.

The plant will be the first in Europe for making "Kathon," a biocide used to control micro-organisms in cooling tower water, metal working fluids, paints, emulsions, cosmetics and toiletries.

It will provide an additional 15 to 20 jobs at Rohm and Haas's chemicals complex at Jarrow which already employs about 300 people.

Davy Engineering signs process technology pact

BY SUE CAMERON, CHEMICALS CORRESPONDENT

UK-BASED Davy Enwgineering group has signed an agreement with the U.S. International Plant Research Institute to develop the process technology for making basic chemicals from plants such as Cassava.

It is the second such deal signed by Davy in under a month. Three weeks ago it concluded a similar pact with the American Cetus genetic engineering group.

The U.S. research company will develop genetically engineered plants that can be used in the chemical production processes designed by Davy McKee, Davy's American subsidiary.

The aim is that Davy's biochemical engineers should help the institute's scientists to turn their laboratory discoveries into commercial prospects more quickly.

Yesterday the two companies said they had already started looking at ways of modifying cassava, a tropical plant, so that it could be used to make basic chemicals such as ethanol—a synthetic alcohol which can be used as a petrol substitute and which also goes into the manufacture of a wide range of things from pharmaceuticals to paints and solvents.

Under the agreement terms, the research institute will produce healthy, high-yield plants using tissue culture and recombinant DNA technology.

Energy policy investigated

BY RAY DAFTER, ENERGY EDITOR

A PROGRAMME to research and analyse factors affecting energy policy in the UK and overseas has been set up by three UK institutions. They are the Royal Institute of International Affairs (Chatham House), the Policy Studies Institute and the British Institute of Energy Economics.

The programme is staffed by Chatham House and PSI researchers directed by Mr Robert Belgrave.

Mr Belgrave said an essential part of the programme would be involvement of government and industrial decision-makers, as well as academics and researchers.

Work on VAT claims begins

By Tim Dickson

WORK BEGAN this week on sorting out nearly 500,000 claims for VAT repayments which built up during the 21-week Civil Service strike.

Hundreds of millions of pounds are still owed to small traders whose VAT refunds have been held up by the dispute at the Customs and Excise Computer centre in Southend which started on March 9. In spite of moves by the Government to ease their difficulties, many companies reported serious cash flow problems in the last couple of months.

The Customs and Excise Department said yesterday that processing the 470,000 outstanding VAT repayment claims has been given priority over other processing work. No estimate could be given of the time it will take to clear up the backlog or of exactly how much money is owed to companies. In the year ended March 1980—the latest period for which figures are available—total VAT repayments amounted to £4.5bn.

VAT refunds are made to businesses which pay VAT to their suppliers but which do not charge it to their customers.

The CBI reported during the dispute that some of its members had been seriously affected by the strike, notably self-employed farmers, scrap metal merchants, exporters and construction firms.

In an effort to ease the pressures, the Government instructed Inland Revenue collectors not to press for PAYE remittances and National Insurance contributions if they felt that as a result there were genuine difficulties about paying.

Increase in private home starts is not maintained

By Andrew Taylor

THE IMPROVEMENT in the rise in the number of private housebuilding starts at the beginning of this year has not been maintained according to Environment Department statistics.

In the first three months of 1981 work was started on 32,300 private sector homes—compared with about 21,000 starts in each of the last two quarters of 1980.

In the second quarter of this year, 29,600 private housing starts were made, a fall of 8 per cent on the previous three months.

Private sector starts in the second quarter were still 18 per cent higher than in the corresponding period a year ago—indicating that private housing starts this year will be between 110,000 and 120,000—still the second lowest annual total since 1974.

Last year private housing starts plunged to 97,400, the lowest annual total since 1953.

It is not generally expected that there will be any further significant rise in the level of private housebuilding starts until spring 1982 at the earliest.

Environment Department figures again reveal the extent to which public housing is taking a battering because of Government spending cuts.

Public sector housing starts—8,700 in the second quarter of this year—were unchanged on the previous three months but 39 per cent lower than in the same period a year ago.

In the first half of this year there were 17,400 public sector housing starts compared with 32,500 in the first half of 1980.

Private and public sector starts combined were 7 per cent lower in the second quarter than in the previous three months and 3 per cent lower than in the same period a year ago. All figures are seasonally adjusted.

● House prices are rising for the first time since the middle of 1980, the Abbey National Building Society said yesterday. During the second quarter of this year house prices in the UK rose on average by 2.8 per cent. An average home is now priced at £25,613, said the society.

Biggest improvement has been in the south east where average prices have risen by 5.7 per cent in the past three months. However, the society says further price rises are likely to be fairly gentle.

By contrast to the general rise in house prices, Abbey National said prices paid by first time buyers fell by 1.5 per cent in the second quarter. It said the trend was likely to change over the next few months "as increasing prices in the more expensive bracket eventually lead to prices rising in the first time buyers' market."

Co-op flourishes without cloth caps

The Royals
Royal Arsenal Co-operative Society
by Alan Forrest

THE ROYAL Arsenal Co-operative Society may not boast any "royals" among its members, but they do include one ex-Prime Minister, Mr James Callaghan. When Mr Callaghan moved into No 11 Downing Street as Chancellor in Harold Wilson's first Labour Government, the RACS delivered his furniture, upstaged only by Harrods van delivering to Mr Wilson.

It has been a long road from Woolwich to Downing Street. Back in 1868 William Rose and Alexander McLeod, two workers at the Royal Arsenal, the government's munitions factory, met at a workers' geography class and decided to form a co-op.

Early days

With £7 4s 6d as their capital, they were unable to get a shop even then, so the society operated from a front room in Mr Rose's house in Eleanor Road, Woolwich. Selling tea, sugar and butter they took £2 4s 9½d on the first day's trading.

In 1869, the government closed Woolwich Dockyard and William Rose became redundant. He emigrated to Canada, but Alexander McLeod stayed to become the society's first full-time secretary.

Now the society's share capital stands at £8.8m. A staff of 6,500 runs 15 department stores and over 100 supermarkets in a 1,500 sq mile trading area covering south London, Kent, Surrey, Hampshire, Berskhire and Buckinghamshire.

Like other Co-operative movements, Royal Arsenal is faced with the problem of maintaining the social democratic traditions of co-operation while competing with the modern marketing methods of people such as "our friends, the Sainsburys and Tescos," to quote RACS secretary, Mr Ronald Roffey.

Mr Roffey is a dedicated Co-op official with long service—he joined the society as a junior accounts clerk 30 years ago.

Chief executive Mr T. G. Lewis has been with the society for nearly 20 years, and right down to the humblest store assistant, service of 40 years is not unusual.

"The old saying 'the Co-op give you a job for life' is still taken seriously," Mr Roffey says.

But he does face the challenge of the times — how does a business with its roots in working-class radicalism cope with today's harsh economic realities? Mr Roffey believes the RACs must not lose the idea that "the Co-op is for people," no matter how naive it sounds to the City and the competition.

The RACs still spends a big budget on education courses such as the one at which its founders met more than 100 years ago, and still takes seriously its direct affiliation to the Labour Party.

So the drive goes on to attract more members to quarterly meetings, although the "one member, one vote" principle may not be the ideal way of dealing with modern business organisation. For example, when the RACS decided to lay on a special china and glass display based on the royal wedding, there were Left-wingers in the organisation who opposed the idea of recognising the occasion in any way.

But Mr Roffey believes Co-op traditions can be preserved hand-in-hand with expansion. The RACS is involved in merger talks with its Croydon neighbour, South Surburban. Meanwhile RACS is spending £30m on expansion in the 1980s and the figure may increase. Plans include an £8m "superstore" at Guildford, Surrey and another at Woking.

New image

Mr Roffey believes the Co-ops have shed their clothcap image without losing their soul. "Our members and customers are a good cross-section of all social groups," he says. "After all, one of our most successful stores is Surbiton, and you don't find many cloth caps in Surbiton."

How would Rose and McLeod, see the long road from Woolwich to Downing Street. The society was born in hard times—today it tries to survive in hard times. The pioneers sold tea and sugar and butter. What would they think of a society whose beer, wine and spirits trading alone brings in £4½m a year?

Roger Taylor

Mr. Ronald Roffey: A job for life

North-west industry outlook 'flat'

BY RHYS DAVID, NORTHERN CORRESPONDENT

INDUSTRY in the North-west cannot yet see signs of an upturn in the economy, says the quarterly survey of Manchester Chamber of Commerce.

The survey, covering 130 manufacturing companies, shows slight improvement in deliveries and orders in home and export markets. However, only 10 per cent claim to be working at full capacity, and around one-fifth are working at less than 70 per cent capacity.

Just under half the companies cut their labour force in the preceding three months and only 14 per cent added workers. Only 8 per cent of companies expect to grow in the next three months and 22 per cent plan further cuts. The number of companies intending to increase investment is very low.

The survey confirms the findings of a CBI report on the regions prospects. That described the trading situation in the North-west as generally flat.

Engineering, textiles, paper, brewing, tobacco, canned goods, and glass are experiencing low demand and indifferent profit margins, the CBI found.

Worst affected appears to have been commercial vehicles where manufacturers have had to reduce forecasts for demand substantially.

The main bright spot, says the CBI, is the strong performance of companies with a scientific or technological base.

On the exchange rate, the CBI finds a general welcome in the north-west for sterling's devaluation against the dollar.

But, it says: "Nevertheless those firms competing in European markets are still experiencing the effects of poor competitiveness.

"Among management in the area there is now a belief that as a result of labour reductions and the introduction of more flexible working practices much higher levels of productivity will be attainable.

"However, until demand and output levels rise these gains will not become visible. The increasingly distant upturn continues to influence heavily the outlook for pay settlements. Companies due to reach pay settlements in the early part of the forthcoming pay round expect settlements well down in single figures."

Short Bros to cut jobs

By Our Belfast Correspondent

SHORT BROTHERS, the loss-making Belfast aircraft manufacturer, is to cut its 7,000 labour force by 200 and will put a further 200 on short time working.

The state-owned company blamed cut-backs in orders affecting its aircraft, missiles and components divisions.

Reduced demand for Boeing 747 and Lockheed TriStars has affected the company's airframe components order book and its engine podding work on Rolls-Royce RB 211 engine.

Ministry of Defence cuts have hit the Blowpipe guided missile programme and the refurbishing of RAF Canberra jet aircraft.

The demand for Shorts own commuter aircraft had also fallen but the success of its new 36-seater had encouraged the company to consider speeding up the programme.

Mid-Wales development set back

BY ROBIN REEVES, WELSH CORRESPONDENT

WITHDRAWAL of development area status from much of mid-Wales and uncertainty over its future regional policy rating is making the task of attracting new industry more difficult, the Development Board for Rural Wales said in its annual report published yesterday.

It says development progress in mid-Wales has been decelerated by the general economic recession and by the removal a year ago of regional grants in a large part of the board's operating area.

The Government has agreed to review the position before assisted area status is finally withdrawn from much of the board's area, the rural counties in mid-Wales, in August next year. The board says it will press for retention of development area status in this review.

"The creation of manufacturing jobs is basic to success in mid-Wales and, in this, Government regional policy is crucial," the report says.

In spite of the more difficult circumstances the board found tenants for 52 factories in 1980-1981, promising 450 jobs at locations throughout mid-Wales in industries including electronics, engineering, plastics, motor-cars, ceramics and clocks.

The board was set up in 1976 by the then Labour Government. It was charged to halt the depopulation of mid-Wales and to promote the area's development. It owns and manages 219 factories, providing 6,350 job opportunities.

Its factory-building programme for this financial year comprises 66 factories totalling 169,000 sq ft. Factories or extensions are being built at nine mid-Wales locations.

Other board activities in 1980-81 included the international launch of Welsh Country Knitwear (a range of garments designed by Texnique which it is hoped will form the basis of an ethnic knitting industry in South Cardiganshire); submission of detailed proposals to the Government for reviving Cardigan Bay fisheries; the commissioning of a survey into ways of increasing passengers and improving services on the mid-Wales rail network; and a series of meetings and information-kits to encourage local people to start businesses.

The report says business courses sponsored by the board have resulted in nearly 40 businesses being set up or expanded in mid-Wales.

Oil slows Scottish recession

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THE STRENGTH of oil-related manufacturing and electronics industries has helped slow the decline in manufacturing production in Scotland, according to the Government's Scottish Economic bulletin published today.

The report, covering 1980, showed that employment was maintained in the service sector, compared with a 2 per cent fall for Great Britain as a whole. This resulted in a smaller overall decline in employment for Scotland last year—4 per cent, compared with a nationwide figure of 4.7.

The July trends for Scotland, issued by the CBI this week, confirmed indications that the fall in output was slowing down. The CBI respondents among manufacturing industries reported finds of stabilisation of output, orders and deliveries.

The bulletin, published by the Scottish Office, noted the co-ordination of inward investment into Scotland, in which the resources of the Scottish Economic Planning Department, the Scottish Development Agency, the five new towns and local authorities have been combined into the "Locate in Scotland" office to channel all inquiries through one door.

It said there were about 280 overseas owned manufacturing units in Scotland, accounting for 91,000 jobs, or 17 per cent of total manufacturing employment.

U.S. businesses remained the main source of inward investment, owning 60 per cent of the manufactured units. European firms owned 25 per cent, of which Dutch firms owned 7 per cent.

A separate paper in the bulletin dealt with the role of small manufacturing businesses in Scotland, an area which has taken on an increasing importance for economic planners.

The Government's inner cities enterprise zones, as well as the new towns, have pitched much of their promotion at small firms employing less than 200 people.

The bulletin survey was based on 1977 figures, which showed that a quarter of the total manufacturing employment in Scotland was in small manufacturing enterprises.

Stock Exchange turnover in July

Sterling's weakness hits trading

BY NIGEL SPALL

BUSINESS in stock markets contracted last month as the renewed weakness of sterling and the uncertain outlook for interest rates inhibited trading.

Total turnover in July, at £15.01bn, was down by £2.39bn, or 13.8 per cent. The total number of bargains decreased by 45,165 to 408,135, and the Financial Times turnover index for all securities fell from June's 533.2 to 459.8—well below the 1980 monthly average of 501.2.

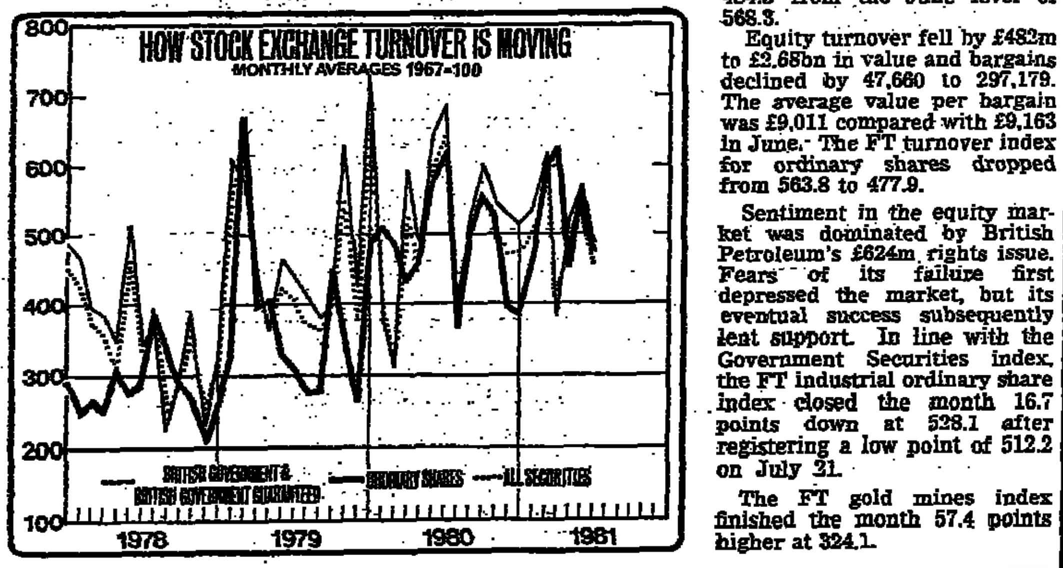
Gilts were given an especially uncomfortable time by sterling's continued weakness and the upward pressures on interest rates. The FT Government Securities index fell to a 4½-year low of 63.12 on July 21.

Dealings in the funds fell by £1.98bn, or 14.8 per cent, to £11.44bn, of which the shorts accounted for £5.82bn. However, bargains in gilts increased by 4,870 to 79,071 with deals in the shorts 3,496 higher at 26,412. Dealings in the longs and irredeemables rose 1,374 to 52,659. The FT turnover index for government securities fell to 484.3 from the June level of 568.3.

Equity turnover fell by £482m to £2.68bn in value and bargains declined by 47,660 to 297,179. The average value per bargain was £9,011 compared with £9,163 in June. The FT turnover index for ordinary shares dropped from 563.8 to 477.9.

Sentiment in the equity market was dominated by British Petroleum's £624m rights issue. Fears of its failure first depressed the market, but its eventual success subsequently lent support. In line with the Government Securities index, the FT industrial ordinary share index closed the month 16.7 points down at 528.1 after registering a low point of 512.2 on July 21.

The FT gold mines index finished the month 57.4 points higher at 324.1.



Category	Value of all purchases & sales £m	% of total	Number of bargains	% of total	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Government and British Government Guaranteed							
Short-dated (having five years or less to run)	5,820.2	38.5	26,412	6.5	264.6	220,363	1,201
Others	5,622.3	37.5	52,659	12.9	255.6	106,767	2,394
Irish Government							
Short-dated (having five years or less to run)	224.9	1.5	1,850	0.5	10.2	121,575	84
Others	246.0	1.6	2,712	0.7	11.2	90,705	123
UK Local Authority	252.6	1.7	3,876	0.9	11.5	65,165	176
Overseas Government Provincial and Municipal	27.0	0.2	871	0.2	1.2	30,937	40
Fixed Interest Stock Preference and Preferred Ordinary Shares	135.5	0.9	22,576	5.5	6.2	6,002	1,026
Ordinary Shares	2,678.0	17.8	297,179	72.8	121.7	9,011	13,508
TOTAL	15,006.4	100.0	408,135	100.0	*682.1	*36,768	*18,552

* Average of all securities

Rising fees worry Open University

By Raymond Snoddy

THE OPEN University said yesterday it was anxious that rising costs could restrict its "open door" admissions policy.

Applications for January's courses are nearly 3,000 up, and the university plans to admit a record 24,600 students next year. But there is growing evidence that fee increases are putting some people off and preventing students from continuing their courses.

This year, the university had to raise its fees by 46 per cent to £98 for tuition plus £75 for summer schools after the Government decided that an increasing proportion of the costs should be borne by students.

While enquiries rose from 84,000 to 102,000, the proportion of those leading to applications fell from 40 to 37 per cent. In 1977, the figure was 60 per cent.

The number of students who stopped studying or reduced their course load increased by 9 per cent.

Those declining the offer of a place increased from 25 per cent to 30 per cent. This largely mirrored the national unemployment figures, the university said.

Students claiming help from the university for fees and expenses rose by a quarter. Those paying by instalments rose by a third. The proportion of students whose full summer school fees were paid by local authorities has declined from 58 per cent in 1974 to 35 per cent last year.

"In total, these factors add up to a concern that the university's open door policy of entry is being closed little by little and that once in the Open, students are finding it more difficult to stay in," the university said.

● The number of school children in England and Wales dropped last year from 8.99m to 8.82m, according to figures published yesterday by the Chartered Institute of Public Finance and Accountancy.

The number of primary pupils fell by 166,000 to 4.71m. That of teachers fell from 453,583 to 450,702—although in secondary schools, there was a slight rise.

John Lloyd and **Lynton McLain** analyse the issues involved in the threatened stoppage

Rail unions build up steam for strike

IS THERE to be a national rail strike—the first stoppage involving all railway workers since 1926?

Judging by the decisions of the National Union of Railwaymen and Aslef, train drivers' union, the answer is yes.

"We are pulling the lot out," said Mr Sid Weighell, NUR general secretary.

Mr Ray Buckton, Aslef general secretary, described the action as a fight for justice. He said he would have liked the dispute to have started earlier than the August 31 date set by the NUR.

The votes of both unions' executives was unanimous, the issue blurring the often sharp differences between right and left wings in the NUR. Both unions will now begin to *mobilise their membership.*

Mr Weighell dismisses doubts as to whether his members will strike. He insists, as does Mr Buckton, that he has plenty of funds to pay the £5 a week strike money to the 145,000 members who would be out.

About 25,000 members, mostly on London Transport, would be held in reserve. He is supported on this at least by Mr Cliff Rose, the British Rail Board *member for industrial relations,* who observed yesterday that the loyalty and discipline of railway workers was such that they would obey a strike call, though they might not be keen to do so.

From the seventh floor Boardroom of BR's Euston headquarters, however, more soothing noises emerged yesterday. Mr Rose noted that the four-week pause between strike call and strike action "gives us all time to hammer the thing out." He will see the unions again, and is "prepared to negotiate an agreement."

He wants the unions to move from "rigid adherence" to the award of the Railway Staffs National Tribunal. He says once that happens talks can begin. He himself is bound to get some sort of commitment from them on productivity—bound, because the board must *go to the Government to tell* Mr Norman Fowler, Transport Secretary, that it will overrun its external financing by between £70m and £100m (assuming an 8 per cent pay rise).

To concede a further 3 per cent without productivity commitments at a cost of £50m in a *full year would be unlikely to* attract a sympathetic response from the Government. The Government has already shown *that it is prepared to use the* electrification programme as a carrot for productivity improvements.

Mr Rose said: "We want to reach a prospectus which will satisfy the board and enable us to go to the Government and argue for assistance."

The board, then, must show the Government a commitment. The unions must, if they are to avoid a humiliating climbdown, *find a form of words which does* not tie them down to agreement on sweeping changes in working practices before detailed negotiations. They have four weeks in which to ease these positions together. If they cannot do so, then the strike will be on.

The effect on the industry would be severe. British Rail's financial position is already seriously weakened by the effects of the slump on passenger and freight traffic and by its own failure to win substantial gains in productivity.

BR's commercial standing with passengers and rail freight users—and the future of BR plans to gain Government approval for the £775m electri*fication investment—are at risk.*

Productivity is the central issue facing the BR board and rail unions. Productivity is also the central issue behind a massive scheme to more than double the length of track electrified in BR.

*The Government, in a state*ment earlier this summer, insisted that British Rail would only be given the go-ahead for electrification, if each scheme was profitable and if BR achieves productivity improvements.

"The Government is not pre*pared to give an unconditional* commitment to the electrification of an extensive network," Mr Fowler told MPs in June.

However, even without a strike, British Rail had been making only slow progress on productivity over the past decade. In the past six years *productivity, as measured in* terms of passenger-miles and freight-tonne-miles(the output of the railway system), has risen by an average of one quarter of a per cent. In the previous five years, output per employee rose only 1 per cent.

Nevertheless, BR did shed 21,378 jobs in the six years to 1980, but this figure hides the failure of BR to meet even its own targets for increasing *productivity.*

Associated with the failure to increase productivity has been a steady decline in Britsh Rail's freight business, potentially one of its most profitable areas. BR carried only 9.2 per cent of the nation's total freight of 1,793m tons *in 1979*, say Government figures.

This total of rail freight of 166m tons compared with the 289m tons of freight carried by rail in 1953, when rail freight represented 24 per cent of the nation's freight traffic.

Heavy raw materials, such as steel and aggregates, account for a high proportion of BR's freight traffic, although BR is attempting, slowly, to enter the *more lucrative and less bulky* business of transporting consumer goods.

The steel industry is already worried that a prolonged rail strike could force plants to close. British Steel has only just recovered the business, estimated at 10 percentage points of its current 54 per cent market share, which it lost in last year's steel strike.

BR's passenger business is *also suffering from the reces*sion and BR as a whole is expected to report a loss of up to £130m for this year. Volume of traffic is holding up, but the profit per passenger is down largely because first class business travellers are travelling less.

National deal on building sites nearer

By John Lloyd, Labour Correspondent

A FURTHER STEP towards achieving a national agreement in the engineering construction industry was taken yesterday when the Engineering Employers' Federation policy committee on engineering construction approved the draft deal outlined earlier this year by employers and unions.

The only major group which has yet to make clear its support is the building sites group, dominated by the Central Electricity Generating Board and the oil and chemical companies.

But the federation, which has already had preliminary talks with the clients' group, believes that, despite some reservations, the agreement will be signed on September 10, during the TUC conference in Blackpool.

The draft agreement provides for a national joint council to act as the industry's national negotiating body. Large construction sites will be "nominated" by the council, and will be subject to an agreement demanding the appointment of a project joint council.

The agreement is expected to be implemented by November 2, along with new *pay scales. These specify a* basic hourly rate for skilled workers of £2.77.

Probe launched into alleged victimisation of shop stewards

BY PAULINE CLARK, LABOUR STAFF

A SPECIAL *investigation* into alleged singling out of union shop stewards for redundancy by employers has been launched by a group of Britain's biggest trade unions.

The Transport and General Workers Union, the General and Municipal Workers Union and TASS, the white collar section of the Amalgamated Union of Engineering Workers, are among unions sponsoring a survey to be conducted by a leading barrister who specialises in redundancy cases.

Trade unionists believe there is growing evidence that employers are ensuring that shop stewards, viewed as troublesome in the past, are *included among redundancies* caused by declines in business orders.

They hope to determine whether there is a national trend of victimising trade union officials or whether the redundancies are co-incidental.

Mr Larry Smith, the TGWU executive officer said "I think it would be useful if information on this was collected to see if there is a general pattern and if so to take any necessary action."

Of major interest to the unions is how tribunals have dealt with cases of redundancies among shop stewards who have worked full time as union officials in their companies and who have argued that redundancies as a result of falling business orders should not apply to them.

One of the most recently publicised cases was that of Mr Mike Cooley, the white collar trade unionist who lost his job with Lucas Aerospace because the company said there was no more technical work for him. About 40 of his colleagues walked out claiming he had been victimised.

Tass claimed yesterday that a more recent case had occurred at Evershed and Vignoles electrical motors company at Acton, West London, where Mr Frank Curtis, a quality assurance engineer and a Tass shop steward of several years standing, has been made redundant. Nearly 200 trade union members at the works have been on strike for five weeks over the issue.

Long-term pay agreement negotiated at BOC

BY PAULINE CLARK, LABOUR STAFF

THE UK arm of BOC has *become one of the few British* companies to negotiate a long-term pay deal with a major group of its workers this year.

The company said yesterday it had agreed a two-year pay settlement for some 2,500 manual workers in its gases division "because a longer-term agreement is appropriate to our organisation and to the needs of our customers."

The previous pay settlement for the group was for 20 months until last May. This was seen as a way of injecting stability into the group's business with its largely industrial customers.

The deal reached with the Transport and General Workers Union and the General and Municipal Workers Union provides for a 10 per cent pay rise backdated to May 25 for 12 months and another 10 per cent on the new rates for a further 12 months until May 1983.

In addition, the company has agreed to implement a 39-hour basic working week from next June to be reduced to 38 hours from June 1983.

The agreement also includes two extra days' holiday.

It raises the lowest basic rate from £93.77 a week to £103.14 during the current year and to £113 for the year from next May. Top rates will rise from £101.77 to £111.94 now and £123.13 from next May.

Delay in £2.7bn gas-gathering project attacked by TUC

BY RAY DAFTER, ENERGY EDITOR

THE Trades Union Congress has attacked the Government over delays to the proposed *£2.7bn North Sea gas-gathering* network. It said these delays had wasted £500m-worth of flared gas.

Mr Len Murray, TUC general secretary, wrote to Mr David Howell, Energy Secretary, calling on him to expedite the pipeline network.

Mr Murray said the TUC's fuel and power industries committee was astonished by the Government's suggestion that finance problems had not delayed physical progress. "We are not aware of any interested organisations which share your view."

He said delays caused by financing problems contrasted sharply with progress made by the Norwegian Government on its proposed pipeline system. The Norwegians had taken a markedly less dogmatic view *about the public sector's role.*

Mrs Margaret Thatcher, the Prime Minister, is to chair a meeting of Treasury and Energy *Department officials and other* interested parties, to break the financing deadlock. The meeting was postponed because of her *diary pressures. It may not be* held till September.

Criticised

In his letter Mr Murray restated TUC opposition to the Government's proposals for selling off British Gas Corporation's showrooms and Wytch Farm oil-field interests. In a condemnation of energy policies he criticised the allocation of seventh-round oil-exploration licences to many foreign companies.

This loss of UK control of North Sea oil would be seriously extended if the Government persisted with its plan to sell off British National Oil Corporation assets, he wrote.

● **John Lloyd adds:** BP Oil last night denied claims by ASTMS, the white-collar union, that it had landed significant quantities of Soviet oil for use in the Isle of Grain power-station.

The company said it made a spot purchase of a shipment of oil feedstock this year, which might have come from an East European source. The shipment represented less than half of 1 per cent of the annual requirements of the Isle of Grain station.

Heart disease threat to miners

By Our Welsh Correspondent

HEART DISEASE and back injuries have now replaced pneumoconiosis as the main health hazards of the mining industry, according to the *National Coal Board's South* Wales Area Health Service.

The board's latest annual report shows that pneumoconiosis has been virtually wiped out among miners below 35, and is rapidly falling in other age groups, as steps to cut dust hazards take effect.

Coronary heart disease and back injuries are now having a greater part to play in miners' health.

Unions at BL Cars likely to seek 17% pay rise

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS union leaders are expected to seek a rise of nearly £20 a week for workers—an increase of about 17 per cent.

Senior shop stewards at Longbridge, Birmingham, the biggest plant, will urge the 16,000 workers to support a claim for a flat rate increase of £19.45 a week. Other factories are likely to lodge similar claims for the wage review due at the beginning of November.

BL management has given a strong lead over the last three pay rounds to enforce single figure settlements. This time it will probably point out that increases will have to be earned through cost savings and productivity improvements.

There is little sign of shop floor militancy. Workers resent *the relative decline in earnings* but realise they have little muscle to extract a large pay award at a time of recession and high unemployment.

The relaxed approach of both sides to the pay talks is underlined by the fact the trade unions have yet to agree the composition of their negotiating team.

The Transport and General Workers' Union, which claims 55 per cent of the membership of manual workers, is demanding the majority of the 24 seats but this is being resisted by the Engineering Union.

BL has made it clear that in the absence of agreement it will negotiate the deal directly with full-time union officials.

'Binding' arbitration plea

BY GARETH GRIFFITHS

DISPUTES IN essential services *should be settled by arbitration* which would be binding on both sides, the Managerial, Professional and Staff Liaison Group, *the largest non-TUC* union umbrella organisation, suggested yesterday.

The group gives this view in its submission to the Government on its trade union immunities Green Paper.

A delegation yesterday met Mr David Waddington, the Parliamentary Employment Under-Secretary to tell him the group's views on trade union immunities.

It wants to see a definition *of essential services and wel*comes measures to protect the old, very young and the sick from the effects of industrial disputes.

The members include the British Medical Association, the UK Association of Professional Engineers, the association of Polytechnic lecturers and several other professional or managerial groups.

It suggests that the Advisory, Conciliation and Arbitration Service should draw up a code of practice to cover essential services.

Incomes policy opposed

BY OUR LABOUR STAFF

OPPOSITION to any attempt by a future Socialist government to introduce a formal incomes policy was emphasised yester*day when one of Britain's lead*ing white-collar unions called on the Labour Party to work with the trade union movement towards its alternative economic strategy.

Mr Ken Gill, general secretary of the white-collar section of the Amalgamated Union of Engineering Workers, says in *his union's journal that a rise* in consumer demand is essential to stimulate industry. But this was being held back by the Government.

He gives a warning in the Technical, Administrative and Supervisory Section News and Journal that, if the next Labour government, in its desire to be different from the Conservatives, brings in a formalised incomes policy, it will be "doomed to failure."

Banking figures

(as table 4 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1—Banks

	July 15 1981 £m	Change on month £m
Eligible liabilities		
UK banks		
London clearing banks	37,422	+2,026
Scottish clearing banks	4,392	+ 155
Northern Ireland banks	1,041	− 25
Accepting houses	3,443	− 63
Other	11,844	+ 77
Overseas banks		
American banks	7,753	− 45
Japanese banks	1,170	+ 34
Other overseas banks	6,631	+ 123
Consortium banks	853	+ 5
Total eligible liabilities*	74,549	+2,288
Reserve assets		
UK banks		
London clearing banks	4,031	+ 95
Scottish clearing banks	479	+ 21
Northern Ireland banks	130	− 3
Accepting houses	388	− 47
Other	1,287	− 87
Overseas banks		
American banks	852	− 47
Japanese banks	133	+ 10
Other overseas banks	814	+ 14
Consortium banks	119	− 10
Total reserve assets	8,231	− 57
Constitution of total reserve assets		
Balances with Bank of England	604	+ 91
Money at call:		
Discount market	4,166	−222
Other	256	+ 1
UK, Northern Ireland Treasury Bills	699	− 26
Other bills:		
Local authority	406	− 17
Commercial	1,278	+ 35
British Government stocks with one year or less to final maturity	823	+ 81
Other	—	—
Total reserve assets	8,231	− 57
Ratios %		
UK banks		
London clearing banks	10.8	− 0.3
Scottish clearing banks	10.9	+ 0.1
Northern Ireland banks	12.5	—
Accepting houses	11.3	− 1.1
Other	10.9	− 0.8
Overseas banks		
American banks	11.0	− 0.5
Japanese banks	11.4	+ 0.5
Other overseas banks	12.3	—
Consortium banks	13.9	− 1.3
Combined ratio	11.0	− 0.5
	£m	£m
nb—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	159	− 35
2—Finance houses		
Eligible liabilities	460	− 2
Reserve assets	47.4	+ 0.2
Ratio (%)	10.3	+ 0.1

Special deposits at July 15 were nil (unchanged) for banks and nil (unchanged) for finance houses. * Interest-bearing elegible liabilities were £54,751m (up £1,518m).

London Clearing Banks' balances

as at July 15, 1981

THE TABLES below provide the first *monthly indication of the trends of bank* lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the *Bank of England*. Tables *1, 2 and 3* are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries *(excluding Scottish and Northern Ireland* banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which *show the reserve positions of all the* banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures *of Coutts, a subsidiary of National* Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	£m	Change on month £m	£m
Sterling deposits:				
UK banking sector	6,993		+ 159	
UK private sector	43,918		+1,556	
UK public sector	674		+ 14	
Overseas residents	4,948		+ 236	
Certificates of deposit	1,716		− 170	
		58,249		+1,796
of which: Sight		20,369		+1,059
Time (inc. CD's)		37,880		+ 737
Foreign currency deposits:				
UK banking sector	12,068		+1,282	
Other UK residents	2,989		+ 246	
Overseas residents	25,269		+1,831	
Certificates of deposit	2,376		+ 187	
		42,702		+3,547
Total deposits		100,951		+5,343
Other liabilities*		13,499		+ 72
TOTAL LIABILITIES		114,450		+5,414
ASSETS				
Sterling				
Cash and balances with Bank of England		1,521		+ 121
Market loans:				
Discount market	2,496		− 15	
UK banks	[illegible]		− 454	
Certificates of deposit	1,362		+ 2	
Local authorities	1,252		− 38	
Other	1,516		+ 21	
		16,630		− 485

	Total outstanding £m	£m	Change on month £m	£m
Bills:				
Treasury bills	267		− 140	
Other bills	1,636		− 87	
		1,902		− 227
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,721		+ 47	
Other	2,216		+ 15	
		4,937		+ 61
Advances:				
UK private sector	33,861		+1,795	
UK public sector	382		+ 104	
Overseas residents	3,112		+ 47	
		37,356		+1,946
Other sterling assets*		7,495		+ 35
Foreign currencies				
Market loans:				
UK banks and discount market	10,915		+ 791	
Certificates of deposit	411		+ 7	
Other	18,971		+2,122	
		30,297		+2,920
Bills		63		+ 14
Advances:				
UK private sector	2,514		+ 80	
UK public sector	490		− 1	
Overseas residents	8,913		+ 666	
		11,916		+ 746
Other foreign currency assets*		2,335		+ 283
TOTAL ASSETS		114,450		+5,414
Acceptances		1,186		− 41

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Out-standing £m	TOTAL Change on month £m	BARCLAYS Out-standing £m	BARCLAYS Change on month £m	LLOYDS Out-standing £m	LLOYDS Change on month £m	MIDLAND Out-standing £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Out-standing £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Out-standing £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	100,951	+5,343	28,699	+802	17,793	+785	20,893	+999	30,583	+2,689	2,984	+ 68
ASSETS												
Cash and balances with Bank of England	1,521	+ 121	495	+ 70	227	− 19	312	+ 32	450	+ 35	37	+ 2
Market loans:												
UK banks and discount market	23,414	+ 322	6,154	−332	3,728	+124	3,550	+ 61	9,230	+423	751	+ 46
Other	23,513	+2,114	6,926	+312	4,875	+257	4,268	+385	6,692	+1,137	752	+ 23
Bills	1,965	− 213	449	− 61	464	−147	494	− 76	528	+109	29	− 38
British Government stocks	2,721	+ 47	867	+ 6	518	+ 50	698	− 16	583	+ 7	74	—
Advances	49,272	+2,691	14,459	+761	8,556	+367	11,108	+525	13,727	+989	1,422	+ 56

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL Out-standing £m	TOTAL Change on month £m	BARCLAYS Out-standing £m	BARCLAYS Change on month £m	LLOYDS Out-standing £m	LLOYDS Change on month £m	MIDLAND Out-standing £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Out-standing £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Out-standing £m	WILLIAMS & GLYN'S Change on month £m
Eligible liabilities	37,231	+2,017	11,803	+670	5,975	+376	8,517	+105	9,722	+838	1,315	+ 27
Reserve assets	4,009	+ 94	1,257	+105	601	− 24	880	− 41	1,143	+ 54	128	—
Reserve ratio (%)	10.8	− 0.3	10.7	+ 0.4	10.1	− 1.1	10.3	− 0.6	11.8	− 0.5	10.6	− 0.2

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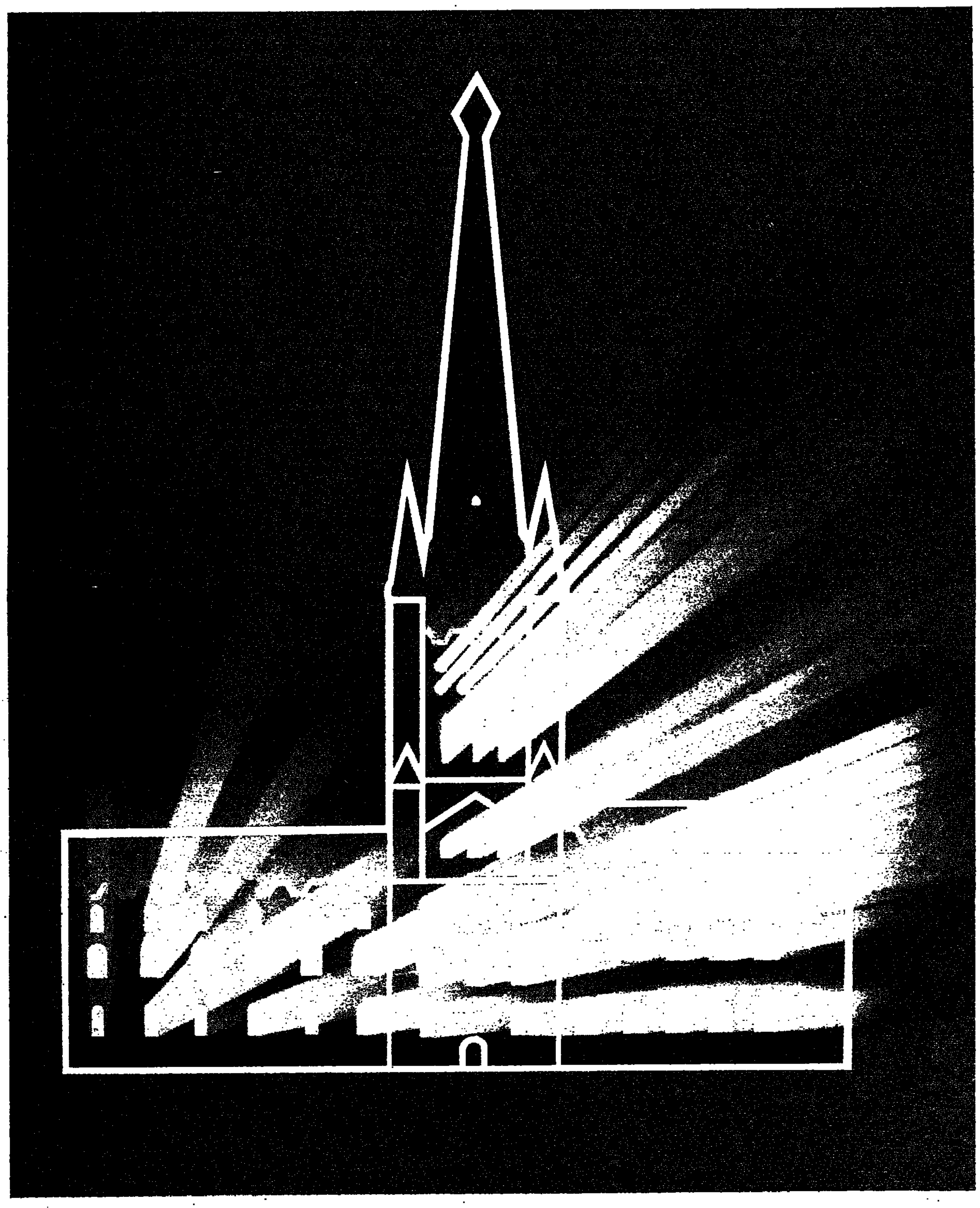

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TECHNOLOGY

EDITED BY ALAN CANE

GEOFFREY CHARLISH looks at how PERA and a university are trying to beat robot problems

Difficulties arise with the first generation

THE PRODUCTION Engineering Association (PERA) in conjunction with Nottingham University is working on a means of solving one of the newly arisen difficulties with first-generation robots — that of visualising what movements they can be allowed to execute in the space available.

The machines might be operating singly, in groups and in conjunction with other production equipment. In either newly-planned or revised layouts it can be a time-consuming, inconvenient and possible costly procedure to use the machines themselves. So computer simulation techniques have been invoked by the Nottingham/PERA teams. Using a keyboard, screen and light pen the system, which employs advanced CAD software, can be used to design and animate complete workplaces in a relatively short time.

Most of the software has been written at Nottingham and supported by a £142,000 grant from the Science and Engineering Research Council (SERC). It is aimed at the visualisation of a complete production arrangement allowing for such things as collision avoidance and loading It is also able to produce production control tapes from accumulated data.

PERA at Melton Mowbray, with £40,000 or DOI money, is helping to refine and ruggedise the software and is offering its members a design service in robotics workplaces.

Using an Imlac refresh graphics system and a Prime computer, the PERA team can call up the basic shapes, in plan and elevation, of some 40 types of robot.

These machines are represented by idealised cuboids, prisms and circles and it is a relatively simple matter to "draw" new designs as they are introduced.

Other items such as conveyor belts, assembly stations or machine tools can also be added to the picture. A menu of possible manipulative actions is provided next to the picture on the screen from which items are chosen by light pen. Positions—of the end of the robot's arm for example—are marked and recorded using a cross-hair cursor that can be shifted around the screen using the keyboard.

It then becomes possible, by recording successively all the appropriate positional data, to build up a series of "snapshots" of the workplace which can be played back to produce what amounts to an animation of the total activity.

The software is based on "Sammy," a method developed at Nottingham to animate a kind of "wire man" on the screen so as to design and play back human movements at a place of work. Humans could also be included in current animations—should any be present in the real life set-up.

Plan and elevation data can be called up separately and can be combined to show a three dimensional picture of what the robot is doing. It amounts to a crude but adequate cartoon film in which conveyors can be made to move and components can be seen being grasped, transported, put down or assembled.

At the "real world" level PERA has developed practical systems for members in which, for example, vision has been added for small component sorting purposes.

Such systems are useful where turned items for example, are asymmetrical along their axes and may have holes drilled radially or flats ground on them. The Pera-vision system can always present good parts in the right orientation in an assembly system and uses a pair of line cameras to look laterally at the components in two directions at right angles to each other.

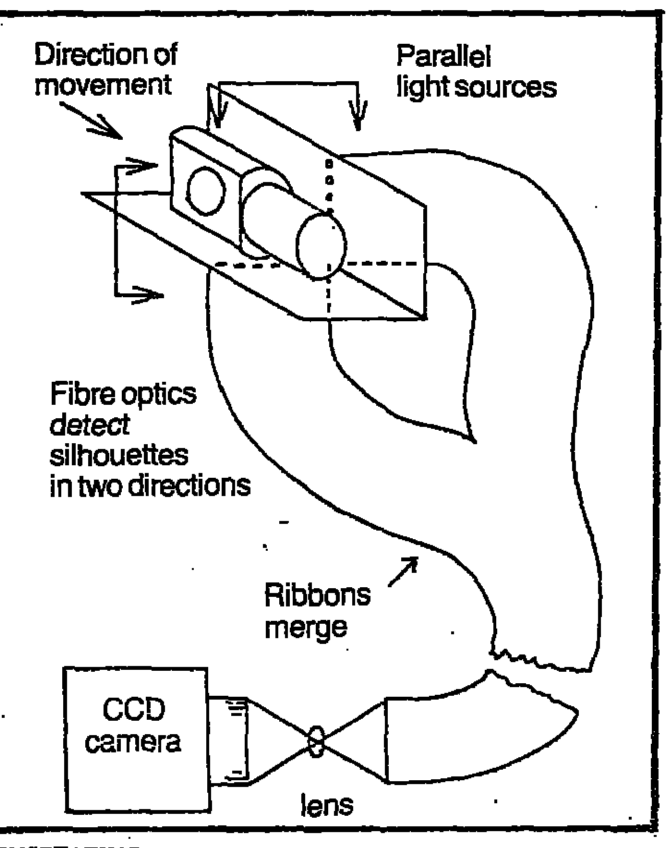
Components are fed into the vision system from a vibratory bowl and are pushed past the line detectors to a position immediately under the robot's gripper. As each component passes the two lines of tiny photoelectric devices, pictures similar to a single frame of a TV picture are built up in the two mutually perpendicular directions. Definition is somewhat coarse with the present line cameras, but the programmer sees an adequate representation in the two directions and, by using a light pen can "idealise" the image to affect the sensitivity of detection of various features, improving efficiency.

The system can inspect, reject on a dimensional basis good components for presentation to the next process at the rate of about one every five seconds. It can pass or reject on a dimensional basis with five per cent accuracy, expected to become one per cent on future models.

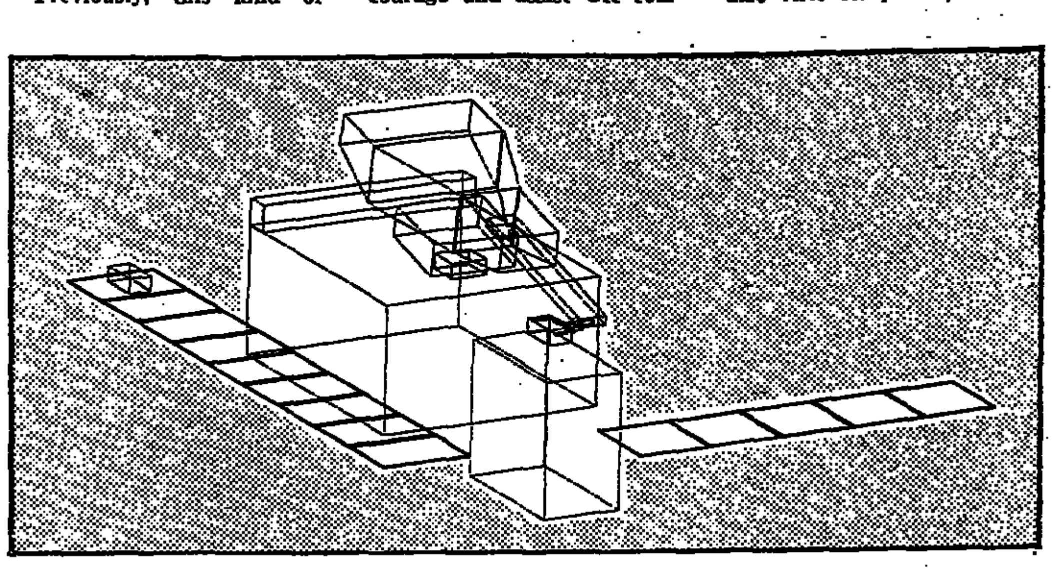
Previously, this kind of task has been carried out solely by mechanical methods using chutes, fences, ploughs and cut-outs. Such tooling has to be altered to suit the component and the beauty of the optical method is that it can be programmed to suit. What is more, component pictures can be held in store for use at some future moment.

Recognising the need to encourage and assist UK companies to consider the use of robots in their production, the Mechanical Engineering and Machine Tools Requirements Board provides funds to enable PERA to operate a Robots Advisory Service on behalf of DOI.

There is a demonstration centre at Melton Mowbray where various sytems can be seen and PERA engineers will also visit companies, free of charge, to help managements decide if there is justification for installing robotic equipment. Where there seems to be a case, the service offers up to 15 days advisory project work on a 50 per cent cost basis.



INSPECTING components with two line cameras as they leave a bowl feeder. Silhouettes are built up in two directions at right angles, using two lines of optical fibres and a charge-coupled device (CCD) camera.



A COMPUTER construction of a robot workstation showing conveyors and components; the diagram can be animated on the screen

Bridge simulator unit in Germany

A SHIP'S bridge simulator has been built by Krupp Atlas-Elektronik of Bremen, part of a ship simulation system it is building for Hamburg Polytechnic to be commissioned in about a year's time.

The bridge unit is mounted on hydraulic cylinders to copy the pitching and rolling of a real ship. It is equipped with the customary navigational equipment including radar and has "view from the bridge" vision system embracing 250 degrees.

Krupp EPR 1300 process computers are used to produce the synthetic digital image on which other ships, seamarks, wharfs and other seascape items can be imposed. They all alter position as the trainee helmsman manoeuvres the ship. Post Box 102252, D-4300, Essen.

..POINTERS..

● PHOSPHATES: ICI, Slough (Slough 31151) has boosted development of pre-treatment process control at a BL car plant by the introduction of a computer-controlled system, based on ICI's phosphate technology. The computer, installed at the Castle Bromwich Jaguar plant, automatically maintains control of all stages of the pre-treatment process, thus saving on materials, energy and labour.

● TRAINING: National Computing Centre, Manchester (061 228 6333) package for small businesses is now available. It is designed to give the person running a small business sufficient information to decide whether a computer would help, where to start and how to prepare for its arrival. The package, at £9.85p is called How to choose your small business computer.

● PHONES: Reliance Systems, Wellingborough (09332 5000). A reflection of the growing importance being placed on the close monitoring and control of telephone calls, traffic and costs, is seen by the fact that one manufacturer is now including a call-logging facility as standard equipment in its electronic telephone exchange equipment.

Reliance Systems with their CDR 1000 facility on their SL-1 digital electronic PABX can print details of calls — the extension number, the number dialled, time of the call and duration: and, for incoming calls, the time taken to answer.

● FORECASTS: A service for stockbrokers and investors, Stock Exchange Forecasts is to be introduced on Prestel via Mills and Allen on 250 0300.

The service is the brainchild of private investor, Mr Michael Williams and aims to forecast changes trend of 15 points or more in the FT 30-share index. More on 01-568 2931.

● BARGES: General Bridge and Engineering, Peterborough (0733 231207) has introduced a mobile truck-mounted loading machine for ships and barges.

● FOOD: British Brown Boveri in London (01-828 9422) has a new range of ultraviolet irradiation units for the surface sterilisation of packaging in the food and pharmaceuticals industries.

● CASTINGS Stelrad is to build a £5m foundry to enable it to produce castings for a new range of wall-hung boilers. These castings will be produced by the cold box process using an Inductotherm melting installation consisting of three 3,000 kW, 12.5-tonne capacity induction melting furnaces, with two 600 kW 40-tonne capacity Linemelt drum-type channel furnaces. Each furnace has a production rate of 4 tonnes an hour.

● MICROWAVES: Thomson CSF of Basingstoke (0256 29155) is introducing a new class of dielectric materials with a dielectric constant of 36 at 9 GHz which can be used as microwave resonators. Five types offer frequency/temperature coefficients from −3 to +9 parts per million per degree C.

● MEMORIES: Plessey Semiconductors of Swindon (0793 694994) has introduced the MN9308, an eight word four bit non-volatile memory array in the Novol range. Applications are expected in small memory back-up for use with microprocessors, elapsed time indicators and counters.

● WELDING: Stubs Welding of Warrington (0925 53939) has developed a nickel-chromium-molybdenum alloy for welding which exhibits high strength over a wide temperature range and excellent corrosion resistance. It is particularly suitable for welding Inconel 625, Incoloy 800H and Nicrofer 3220H.

● LIGHTING: Smiths Industries of Cricklewood (01-452 3333) has a new range of portable spotlights and floodlights. With outputs up to 300,000 candle power. They can illuminate objects at more than one mile.

● RE-CYCLING: Sandoz Products of Horsforth (0532 584646) can supply new water treatment chemicals that are effective in breaking down a wide variety of oil-in-water and water-in-oil emulsions, including the stable emulsions found in waste cutting oils. Thus, fluids can be discharged safely and the recovered oil can be reprocessed.

● WORD-PROCESSOR: BDP Word-processing Vutype word-processing system, is now available as a complete operational package, "with no hidden extras" for £4,750. BDP (Word Processing), a subsidiary of Thos. Hill of Isleworth, Middlesex, 01-560 7905, offers the Vutype with three different daisy wheel printers; the multi-task system uses a three-diskette storage system for bulk on-line storage with rapid access to documents.

In search of a new lease of life

British Midland created airlines around the world, but now the customers are disappearing and it is returning to the charter business. David Dodwell reports

THE Boeing 707 which emerged from a hangar on the edge of the East Midlands Airport at Castle Donington the other week would have been spotted as somewhat odd by an attentive and expert eye.

"Somali Airlines" was prominently painted along the side of the aircraft's body. But the blue and red stripes below, and on the tail, were the colours of LAM, Mozambique airlines. To confuse the matter further, the aircraft in fact belonged to neither airline, but to British Midland Airways, Britain's leading domestic carrier after British Airways.

Over the better part of a decade, British Midland's three 707s have flown in the colours of 32 national airlines, and have been rare visitors to their home airport at Castle Donington, near Derby.

British Midland (BMA) is in the business of providing "instant airlines."

The government of a developing country may want to establish its own flag-carrier without having the cash to buy its own aircraft or the crews to fly its own fleet; an airline might have technical problems with an aircraft and not have a stand-by of its own; or standard maintenance may take longer than expected, leaving an airline short of aircraft.

In all these cases, if the carrier needs a Boeing 707, BMA has been ready to step into the breach—providing its aircraft for anything from a month to two years.

Somali Airlines, in urgent need of an aircraft, was willing to forego the expense and the time needed to give the BMA 707 a complete respray. Happy to fly with its name over LAM's colours, it had delivery within a week of signing a contract.

Despite its success in providing "instant airlines", BMA is now at a crossroads. The tables seem to have turned full circle. Since May, BMA's two passenger Boeings have spent six weeks on the ground—the first time they have been out of service since BMA went into leasing.

A worldwide surplus of passenger aircraft has eroded profits to a point where they are wafer thin. From April next year, BMA's 707s will once again be running the tourist charter routes—this time to Southern Europe. A fascinating and often controversial chapter in the company's history is perhaps near its end.

BMA was one of the first airlines to go into the leasing business. It moved in this direction after having bought three 707s in 1971 in the hope of tapping the North Atlantic charter market; only to find that intense competition soon ate deep into profitability.

John Wolfe, a director, recalls: "The market became very depressed, and we had to look at another market for the 707. We heard that Sudan Airways was replacing the Comets on its "Blue Nile" route to Europe, and decided to try to move into leasing."

For the next 14 months, BMA's two passenger 707s (the third was working as a freight aircraft) flew under Sudan Air colours. The contract earned the company £1½m.

"It seemed to be a lucrative market," Wolfe says. "The competition didn't seem to be as severe as elsewhere, and so we decided to try and establish ourselves in leasing rather than in charter work."

Buy-out

BMA has been privately owned since 1978, when Michael Bishop, the chairman, with fellow directors John Wolfe and Stuart Balmforth, bought the company from its parent, Minster Assets, a publicly-quoted investment holding company.

Under the deal—an early example of the now fashionable management buy-out—the three men bought BMA for its net asset value, £2.5m, under the guise of their holding company, British Midland Holdings. They bought 25 per cent apiece of BMA's shares, giving British Midland Holdings a 75 per cent controlling interest in the company. The remaining 25 per cent was bought by an American, Robert Beauchamp.

"The over-riding reason for buying BMA," Bishop explains, "was that we had made a major contribution to building up the company, and we wanted to own our own business."

BMA's total fleet consists of 10 Viscounts, three DC-9s and three Boeing 707s. All of the smaller aircraft are used on BMA's domestic network. In 1980, the company carried over 1.25m passengers across the length and breadth of the British Isles.

The leasing business has been confined to the 707s. Until this year it has been comfortably profitable. At the peak of the business in 1978, BMA was operating seven leased 707s—its own three, along with four subleased from other carriers. It had been asked by Kenya Airways to establish a three-aircraft fleet, while at the same time, it was leasing two aircraft to Kuwait Airlines, one to the Malaysian Airline System, and one to Pakistan International Airlines. At that time, BMA was providing 49 crews. Three years later, with just three aircraft in operation, it uses just 13 on lease work (BMA employs 75 crews in all).

The aircraft leasing business has its shadier aspects, and while BMA has kept strictly clear of dubious contracts (requests to ferry arms are not uncommon), over ten years it has met with its share of controversy.

Michael Bishop, the chairman, notes ruefully: "One of the problems you get in leasing is a reputation for always being where the action is. A number of contracts have exposed us to to political sensitivities that were rather unwelcome."

For example, BMA was the first to fly into Cyprus after partition in 1974. It actually opened up Larnaka airport for the Greek authorities.

That operation had the full backing of the Greek and the British Government. Not so the contract signed in February 1979 to lease its two passenger 707s to LAM Mozambique Airlines. At that time, Zimbabwe was still Rhodesia, and Mozambique was a "front line" state. BMA attracted a torrent of criticism from the British Government for accepting the deal.

"But while we were operating for LAM, the politicians shifted through 180 degrees," Bishop recalls. "With Zimbabwe's independence, the British Government attitude to us and our operation changed overnight. Politicians are too fickle by far for us to allow them to influence our commercial decisions.

"We go into these contracts with total disregard for the political side of things. We simply assess them in terms of commercial sense and safety for our crews."

This policy is highlighted by the agreement in April to lease one of its 707s to Ariana, the Afghan national airline. Despite the political controversy aroused, Bishop insists: "It was a purely commercial deal."

Wolfe, who flew out to Kabul to finalise the deal, says his over-riding concern was for the safety and comfort of his crews, and the five ground staff who would have to live in the Afghan capital for the duration of the contract.

He says any fears were soon doused: "Our men were to stay at the Intercontinental Hotel, which has 200 rooms, and had just 12 people there at the time. The service was magnificent, the food first class. The Afghans were terribly pleased to see people staying there. There were tennis courts, a swimming pool, and a good social life with the embassy staff."

Hostile

Since Afghanistan is classified by the British Airline Pilots' Association as a "hostile area," no pilot can be forced to fly there. For two months, until the contract expired at the end of May, the crews flew in "purely voluntarily." There were never any complaints, says Wolfe.

Commercially, the deal was trouble-free: £120,000 a month, paid in advance. The only hiccough was insistence by BMA's insurers that the airline pay a £25,000 a month surcharge on top of the usual £36,000 a month premium. This was the first time in a decade of leasing that BMA has had to pay a surcharge.

In contrast with the Ariana contract, Wolfe recalls a request two months ago from the Ugandan government to provide a freighter service from Kampala to Europe. "I flew in to find that Kampala was totally insecure," he says. "During 3½ days in the capital, I had two bits of fish and two bananas to eat — there was absolutely nothing else available.

"By sunset, everyone was cleared from the streets. There was no curfew, people just disappeared. And then, around 10 o'clock, the firing started. In that sort of situation, there is absolutely no way we put in an operation."

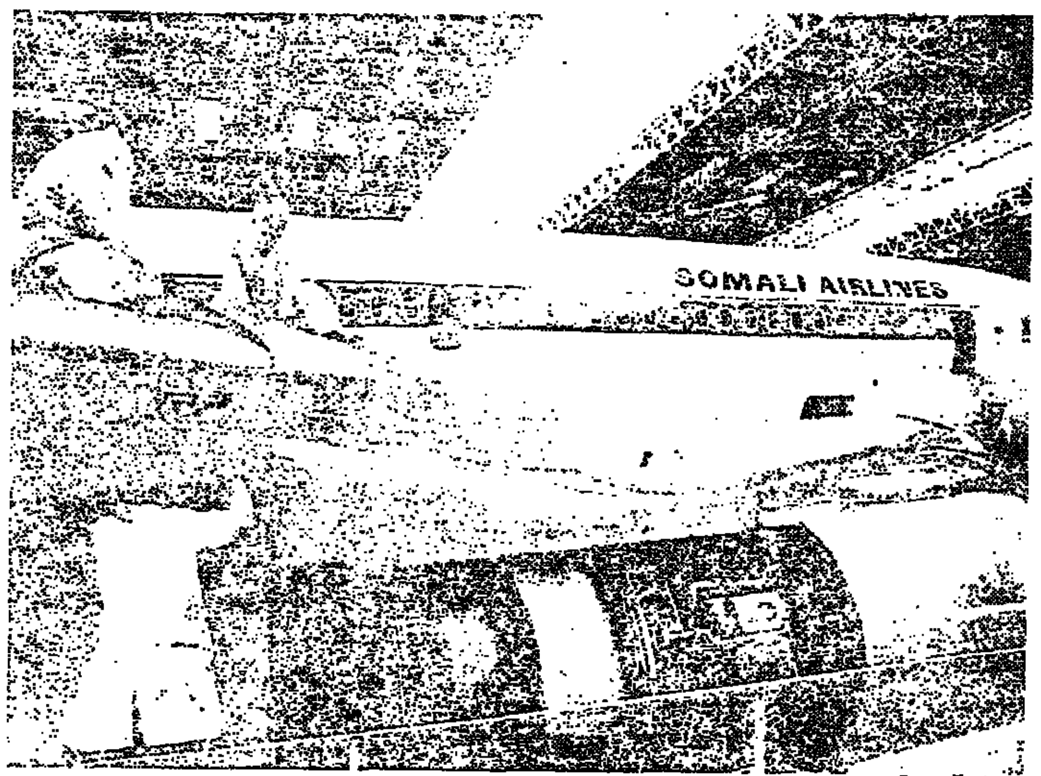
Despite the precautions taken, BMA has had its fingers burned: in 1977, one of its 707s flying in Kuwait's colours was hijacked but subsequently recovered.

More serious was a contract signed in 1978 with North Yemen to provide two 707s for two years—worth about £8.4m. After winning financial guarantees from the North Yemeni Government, BMA foresook its normal policy of cash in advance and had committed itself to more than £1.5m spending before it became clear that the North Yemen airline was backing out of the deal.

An acrimonious legal battle has followed, which came to a climax last year when BMA got court approval to impound a North Yemeni Boeing 727 at Heathrow Airport as it came to collect the North Yemeni Prime Minister. BMA claims it is owed $4.2m for breach of contract, and has so far written off £1.65m against profits in 1979 and 1980. The case is expected to go to court in October next year.

BMA has finally decided to draw back from the leasing business not because of the political controversies it has attracted, nor because of the risks sometimes involved, but simply because profits are no longer there.

"Many Third World countries have grossly over-ordered aircraft during the past three to four years," says Bishop.



Roger Taylor

A BMA Boeing 707 has a quick facelift to change it from Mozambique Airlines insignia to that of Somali Airlines. It was delivered within a week of the contract being signed

"And the consequences of that policy are now beginning to bite. We know of 40 used DC-10s and 30 Boeing 747s for sale around the world at the moment. As for 707s—there are hundreds for sale. People who used us as we built up our leasing business in the 1970s are now flexing their muscles with their own flag carriers."

The consequences of increased competition are already clear. Contracts are more difficult to get, and contract prices have been stripped to the bone. Profit margins on the leasing business are expected to be at least 40 per cent down on 1980.

Although final figures have not yet been released, chairman Michael Bishop confirms that leasing operations played a critical part in maintaining profitability in 1980. With a total turnover of about £49m, and net profits of about £400,000 leasing operations earned about £1m out of a turnover of £10m —which means BMA's domestic scheduled operations would have made a loss of about £600,000 without the contribution from leasing.

The decline in profits on leasing during the past six months, coupled with further difficulties on the domestic front, lead to predictions that both turnover and profits will be at least halved in the current year.

"There comes a point when rates are so low that it's cheaper to leave the planes on the ground—and this was the area we were moving towards," says Wolfe.

While its freighter 707, currently on lease to the Icelandic carrier Eagle Air, will continue in the leasing business, the two passenger 707s are soon to be withdrawn.

Humdrum

In April next year, after refurbishment costing £100,000 per aircraft (with new high-density seating, they will be able to carry 211 passengers, instead of 189 as at present) BMA's 707s will be flying under their own colours from Birmingham and Castle Donington to the southern European destinations of Palma, Malaga, Alicante, Crete and Herakhon.

Michael Bishop has no regrets about drawing back from the "instant airline" business; "leasing has been a profitable activity and has been there with the right kind of profits when scheduled services have gone astray." But he recalls that BMA was one of the first airlines to go into the charter business—offering inclusive tours from Gatwick as early as 1958. The 707s were, after all, originally bought in 1971 for charter work.

Perhaps the saddest about the change will be the 707 crews. For a decade they have had the challenge, variety, excitement and perks of long haul flights across the length and breadth of Africa and Asia. Now, instead of Kabul or Kuala Lumpur they face a comparatively humdrum ferrying service from the UK to the Mediterranean. "Some may be unhappy about the change," Bishop remarks, "but then, unlike many of their colleagues, at least they have jobs."

Business courses

20th International Quality Assurance Conference — Economic and Legislative Pressures on Industry—Quality Assurance Involvement, London. September 23-24. Fee: £55 per day. Details from the Institute of Quality Assurance, 54 Princes Gate Exhibition Road, London SW7 2PG.

Managing Maintenance Operations, London. September 14-15. Fee: £345 (plus VAT) per person. Details from AMR International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

Inter-Personal Effectiveness Workshop. Developing the skills of self assertion, Uxbridge. September 17-18. Fee: £230 or £165. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH.

Working and Living Abroad, London. October 7. Fee: £42 per person. £67 per couple. Details from The Short Course Unit, Polytechnic of Central London, 35 Marylebone Road, London NW1 5LS.

Finance for the Non-Financial Executive, Slough, Buckinghamshire. October 5-9. Fee: £300 (plus VAT). Details from Urwick Management Centre, Baylis House, Stoke Poges Lane, Slough, Buckinghamshire SL1 3PF.

LOMBARD

Innovators and bureaucracy

BY CHRISTOPHER LORENZ

THERE ARE two basic ways of integrating an acquisition: the purchaser can either play it gently, or go into his new subsidiary shooting from the hip, exterminating managers and their policies in all directions.

The signs are that the National Enterprise Board's takeover of the National Research Development Corporation—and takeover it is, despite all the euphemistic talk of a "merger"—will fall squarely into the aggressive category.

Slow-moving

For one thing, the integration of the two organisations into the new "British Technology Group" (BTG) is moving ahead far faster than many of the participants expected, thanks in particular to the characteristic drive of the chairman, Sir Freddie Wood. For another, the NEB side clearly has the upper hand: one of the main reasons for the deal was the Government's concern at widespread criticism that the NRDC was slow-moving, inflexible and bureaucratic.

It might have been better to have tried to inject a more entrepreneurial spirit into a still separate NRDC, accepting the advice of the Cabinet Office's Advisory Council on Applied Research and Development that there should be as many "decision points" as possible for appraising and supporting innovative ideas in industry. Not surprisingly, however, the official mind's craving for neatness prevailed.

The main task now should be to ensure that the best of the NRDC is preserved within the new group, and that the baby is not thrown out with the bathwater. But the initial auguries are not particularly auspicious.

Last month it was announced that the new BTG will consist of three divisions: a technology transfer section to deal with the public sector and academic side of the business (mainly the licensing-out of inventions): an investment division to set up corporate finance investments and joint ventures; and an operations division to monitor and manage existing investments.

The first problem is with the term "corporate finance." This normally embraces equity and loan finance—the NEB's normal funding package—but not project finance, in which the NRDC has always specialised. Instead of equity (and possibly a seat on the board), the NRDC has usually supported its clients with 50 per cent of a project's development and launching costs, in exchange for a levy on sales.

To the entrepreneur, the advantage of such an arrangement is that he does not have to give away part of his birthright—control of his company. To the backer (now the BTG), it is that a large number of new projects can be supported each year without enormous "hands-on" management resources: the NRDC has made about 80 such industrial investments in each of the past two years, and the number of applicants went up by a quarter in 1980 to 600.

The main question about this approach is how to pitch the levy in order to give the backer an adequate return on really successful projects. There was certainly room for improvement in the NRDC's arrangements.

While there are now almost two dozen organisations in Britain providing NEB-type corporate finance, the only other sizeable source of project finance is the Department of Industry, which gives much of it in the form of a straight 25 per cent grant, providing no return to the public purse.

So the demand exists for the BTG to provide project funding as well as equity/loan investments. Yet it is by no means clear within the group whether it will continue to do so on a substantial scale. A negative decision would be a disservice to the very market the BTG has been formed to serve.

Neatness

A misguided sense of bureaucratic neatness is also suggested by the formation of separate divisions to fund and manage investments.

As any good entrepreneur knows, the initiation, development *and* completion of an investment project should be entrusted to one highly motivated individual or team if it is to stand a good chance of success.

A heavy rain puts the fun back in weeding

GARDENS TODAY

BY ROBIN LANE FOX

LAST WEEK'S rain has put fresh heart into me. I have not had an ideal weekend's gardening since early April, not one of those breaks when the conditions have been ideal.

On Saturday, it all came right at once. A heavy rain was followed by a cool but funny indication to attack the weeds when the ground was soft enough for chickweed to come out by the handful and thistles to glide into the glove after so many weeks in hard, dry ground.

Readers keep asking how I can still enjoy this business, as if one season is exactly like another, and those of us who start young will have been through them all by our mid-30s. If I toy with the question this week, it is because the holidays will find many of you in your own gardens and you might be spurred on by the reminder that they can be fun.

Peculiar twist

Behind it all lies some peculiar twist in keen gardeners' nature. They tend to be idealists who never give up hope. I am driven on by the absurd faith that somewhere, one day, the results will be perfect.

The effects of the Fall will be reversed, ground-elder will vanish at a drop of rain, and black spot will not strip the old roses in early July. Sky-blue gentians will grow like daisies and my family's cats will change their address. Flowers will run everywhere, and my single-flowered paeonies will last for weeks. The grass, meanwhile, will be sprayed with a miracle find called Thatchercut, one dose of which stops anything running riot and puts millions of mowers out of work.

Tidiness is not too important in this dream, probably because it ranks so low in my reality. I like to see tall plants in a garden's foreground, and I regret that so many big old favourites have now been bred in miniature forms.

Plants have shrunk even faster than furniture. Seedsmen are asked to sell 2-ft-high hollyhocks, prostrate sweetpeas and delphiniums to match the garden gnomes. Innocent beginners are steered away from a love of the jungle, so no wonder they stay with their French marigolds.

If I had more space, I would grow the so-called "climbing" roses loose in a lawn and I would let the giant white-flowered kale, or Crambe, soar up to seven feet in wild grass, which would not be mowed until mid-July for the health of the daffodills beneath it. Gardens reflect their owners' characters, so this proves my lack of discipline.

When the jungle is rampant in mid-summer, I remember the story of an old Greek city which was torn by fearful political conflict. When people could bear it no longer, they called in foreign arbitrators, who toured their territory and entrusted the Government to those who kept their ground most tidily. The result did not last too long, but it leaves me with a fear that I will one day lose my vote, when somebody gives free run to the owners of dreary lines of summer bedding plants.

Disorder, then, is something I aim at, but it has to be controllable and seem almost in check. Of all the chores, I think that edging the lawn does most for one's pleasure in a garden. Every edge does not need to be precise, but most of them should be defined, if only to make up for the tangle in the beds.

Nowadays, there are machines to help you, but those ingenious cutters on wheels have never saved me much time. They work well on smooth and level lawns, where the edges are already established.

Far more use can be had from the recent power-driven cutters, which work from a single thread of whirling nylon. These will take down the tall grass around trees or on banks and will make sense of most edges, especially where flowers are overhanging them. They are worth any weekend gardener's money.

Within this picture, my pleasures change with the seasons. Matching good plants together is a constant search for perfection and a challenge which never ends. I am kept at it by my belief that there are masses of excellent garden plants which would pair well if only we gave them a proper run.

This week, I look out on a south-facing bed which I filled with the flame-scarlet Crocosmia and small clumps of the hardy white Agapanthus. Its rounded heads of white flower set off the long tongues of deep scarlet, which jut forward from the Crocosmia. They flower together and enjoy the same dry and warm conditions. They are no trouble and are one of the few good pairs which I planned in advance and did not owe to somebody else's example.

Work, I assure you, comes into my pleasure, for there are no results without effort. Pressed for time, I am selective. I have long given up attemps at improving the lawn. The cost seems endless, and, even when I scratched out mats of dead grass, I ended up with more creeping weeds in gaps of my own making. To feed, spike and clean a modest lawn now costs as much as a new perennial border. During dry spells, the only winners in well-fed grass are clover and pearlwort, neither of which disappears quite as fast as weed-killers would wish.

Vegetables, too, take a back seat, as I have spread by flower seeds and cuttings into a shrinking area of clean and private ground.

It is now the high season for these fascinating jobs. You can take cuttings off almost every summer-flowering shrub and reckon on a high chance of success in a damp and sandy bed or flower pot.

Next weekend would be well spent in sowing the easy perennials, the scarlet geums, blue flax and the many good campanulas and foxgloves. Delphiniums are not quite so easy, but you should have some luck with a packet of Blackmore and Langdon's Prize Strain, if you do not allow the seed box to dry out.

Weeds, in the end, govern anyone's efforts, and no amount of disorder will survive them. To save time, I spray simazine betwen established shrubs and border plants in mid-March, so that no new weeds will sprout until late summer. In the end, though, I admit to enjoying a hard day's weeding. Like a hermit with his demons, I would miss the weeds, if they did not appear.

Therapeutic

In early August, you must give priority to any with flowers on them, and stop them as they now try to seed. If you wait until rain has just fallen, perhaps you will agree that it is all good fun. The roots slide out at a touch from the fork, and the surface of the soil turns neatly over in their absence. On the way, you can cut back your dead flowers and trim the stems of annuals to encourage a second crop.

I know nothing more therapeutic than dead-heading. First, a rainstorm, then few days of sun with a gentle breeze: why go away for a holiday when conditions can be so enticing outside your own back door?

Piggott could land all six

RACING

BY DOMINIC WIGAN

NO JOCKEY has gone through the card at a flat meeting since Alec Russell in 1957, but Lester Piggott could achieve the feat at Yarmouth today. He rides all six favourites there, four of whom are likely to be odds-on.

Most likely winner by far appears to be the lightly raced *On A Cloud*, who recently came first in the hands of Willie Carson at a Kempton evening meeting.

On A Cloud, a head conqueror of Irish Keep, has yet to race on firm ground. However, neither his action nor his breeding suggests that it will present any problems for him. He should land odds of about 1-4 in the Yacht Station Stakes.

The most vulnerable of Piggott's other mounts could be On A Cloud's stablemate, Al Nasr, who nevertheless, will go to post at about 7-4 on for the Britannia Maiden Stakes. Although Hamdan Al-Maktoum's 156,000-guinea-yearling purchase, a half-brother to Pelerin, has been improving steadily and will soon be winning, I doubt whether he will prove good enough here to beat My Annassar. This bay daughter of that tough Polyfoto mare, My Polyanna, is another on the upgrade, and one who will relish this one mile six furlongs on fast ground.

While Piggott is bidding to be the first jockey to reach 100 winners, his arch rival, Carson, will be attempting to keep pace at Brighton. Irish Grenadier, a stablemate to On A Cloud and Al Nasr, can get the Scot off with a win in the Beach Maiden Stakes.

Irish Grenadier, a Home Guard colt out of an unraced grand-daughter of Unity, is preferred to another locally trained colt, Pulborough representative Erotas.

One event I do not envisage Carson landing, however, is the Brighton Challenge Cup. Here, backers are probably best advised to rely on last year's winner, Iskanndaroun, who is slowly returning to something approaching his best. The four-year-old is set to carry 10 lbs less than when he won last summer.

YARMOUTH

2.45—Kingston Pinxton
3.45—On A Cloud
4.15—My Annassar*
4.45—Young Daniel

BRIGHTON

2.00—Irish Grenadier**
3.00—Frank Berry
3.30—Iskanndaroun***
4.00—Ghadeer

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (uhf only). 9.20 The Wombles. 9.25 Jackanory. 9.40 Cheggers Plays Pop. 10.00 Why Don't You . . . ? 10.25 Cricket: The NatWest Bank Trophy. 1.12 pm Regional News for England (except London). 1.15 Midday News. 1.30 How do you do. 1.45 Cricket commentaries. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Lassie. 5.05 John Craven's Newsround.

5.10 Grandad.
5.40 Evening News.
5.55 Regional News Magazines and Nationwide.
6.20 Doctor Who.
6.45 The Wonderful World of Disney.
7.30 *The Olympian Way.*
8.05 The Best of "That's Life."
9.00 The Nine O'Clock News.
9.25 Shoestring.
10.15 Cosmos: Journeys in space and time.
11.05 A Little Night Music.
11.40 News Headlines.

All Regional programmes as BBC-1 except as follows:

BBC Cymru/Wales—2.30-4.20 pm Eisteddfod Genedlaethol Maldwyn A'i Chyffiniau. 5.10-5.40 Squirrel on my shoulder. 5.55 Wales Today. 6.20 The Good Life. 6.50 Cartoon. 6.55 Newydion. 7.05-7.30 O Dro I Dro. Cwisdaith trwy Gymru ar ffilm. 9.25-10.15 Eisteddfod Genedlaethol Maldwyn A'i Chyffiniau. 11.40 News and weather for Wales.

Scotland—9.15-9.20 am The House That Joe Built (2). 9.40-*10.00 Bzzz. 1.10-1.15 pm* The Scottish News. 5.55-6.20 Reporting Scotland. 11.40 News and weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
1.20-1.45 pm Cricket commentaries.
4.20-4.50 More cricket.
4.50 Open University.
6.55 Six Fifty-five Special.
7.30 Mid-Evening News.
7.45 Cartoon Two.
7.55 City: A Freeman and a Citizen.
8.30 Big Jim and the Figaro Club.
9.00 Rhoda.
9.25 Top Crown: First semi-final.
10.10 The 20th Century Remembered: Lord Boothby talks.
10.40 Young Musicians 1980 play Mozart.
10.45 Newsnight.
11.30 Cricket: NatWest Bank Trophy highlights.

LONDON

9.30 am Larry the Lamb. 9.40 Balinese Surfer. †10.35 Band Wagon, starring Arthur Askey, Richard Murdoch and Pat Kirkwood. 11.50 Beany and Cecil cartoon. 12.00 pm Cloppa Castle. 12.10 Rainbow. 12.30 Music of Man: The age of the composer, with Yehudi Menuhin. 1.00 News at One. 1.20 Thames News. 1.30 Play It Again. 2.00 Live from Two. 2.45 Big Shamus, Little Shamus. 3.45 Now You See It. 4.15 Speedy Gonzales. 4.20 How. 4.45 Quest of Eagles. 5.15 Here's Boomer.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Where There's Life. . . .
7.30 Coronation Street.
8.00 The Big Top Variety Show.
9.00 Playhouse: Lise-Ann McLaughlin in 'Friends and Other Lovers.
10.00 News at Ten.
10.30 The Horsemen, starring Omar Sharrif.
12.30 am "Sit up and Listen," with Wilfred Josephs.

All IBA regions as London, except at the following times:

ANGLIA

9.30 am European Folk Tales. 9.40 England, Their England. 10.10 Thunderbirds. 11.00 The New Accelerators. 11.25 The Walt Disney Classic. 11.35 The New Fred and Barney Show. 1.20 pm Anglia News. 2.45 Bracken. 6.00 About Anglia. 10.30 Wednesday Film: "The Love Ban." 12.15 am The Big Question.

ATV

9.20 am Circus. 9.45 ATV Picture Palace. 1.20 pm ATV News. 2.45 Bracken. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 10.30 ATV News. 10.35 Film: "Bequest To The Nation" with Peter Finch and Glenda Jackson.

BORDER

9.30 am Untamed World. 9.55 George Hamilton IV. 10.20 Thunderbirds. 11.10 Wilderness Alive. 1.20 pm Border News. 2.45 Young Ramsay. 5.15 Eygones. 5.00 Lookaround Wednesday. 10.30 Lou Grant. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. 2.45 Bracken. 5.15 Out of Town. 6.00 Channel Report. 6.10 Ladies First. 10.28 Channel Late News. 10.36 Twenty Years. 11.05 Police Surgeon. 11.35 News and weather in French.

GRAMPIAN

9.55 am First Thing. 10.00 Documentary. 10.30 Chopper Squad. 11.15 Young Ramsay. 1.20 pm North News. 5.15 Welcome Back Kotter. 6.00 Summer at Six and area weather. 10.30 Tenspeed and Brown Shoe. 11.30 About Gaelic. 12.00 am Hear Here. 12.15 North Headlines and area weather.

GRANADA

9.30 am Wildlife in Crisis. 9.55 Circus. 10.20 Wednesday Matinee. 11.55 Five Magic Minutes. 1.20 Granada Reports. 1.30 Emmerdale Farm. 2.45 BJ and the Bear. 5.15 Happy Days. 6.00 Granada Reports. 6.05 Remember Remember. 6.25 This Is Your Right. 10.30 Wednesday Film: Clint Eastwood in "Play Misty for Me."

HTV

9.45 am The World We Live In. 10.10 Young Ramsay. 11.00 Sesame Street. 1.20 HTV News. 1.30 The Electric Theatre Show. 2.45 Chopper Squad. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 John Abram's Garden. 10.28 HTV News. 10.35 Manscape. 11.00 Lou Grant.

HTV CYMRU/WALES—As HTV West except: 11.00 am Eisteddfod Genhedlaethol Maldwyn a'i Chyffiniau. 12.00 pm Ffalabalam. 2.00 After Noon Plus. 4.45 Sion Bili. 6.00 Y Dydd. 6.15 Report Wales. 6.30 Eisteddfod Genedlaethol Maldwyn a'i Chyffiniau. 10.35 The Band of the Year. 11.35 Lou Grant.

SCOTTISH

9.55 am Sesame Street. 10.55 The Collectors. 11.10 Charlie's Angels. 2.45 pm Bracken. 3.45 Survival. 5.15 Pet Subject. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Down to Earth. 10.00 News and Scottish news. 10.30 Late Call. 10.35 Midweek Movie: "Frankenstein Must Be Destroyed."

SOUTHERN

9.30 am Focus on Wildlife. 9.55 Christopher Columbus. 11.30 Out of Town. 1.20 pm Southern News. 2.00 Houseparty. 2.25 The Amazing Years of Cinema. 2.45 Bracken. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day by Day. 6.35 Scene Midweek (South East area only). 10.00 News followed by Southern News Extra. 10.35 The Entertainers. 10.35 Dougalling (South East area only). 11.05 The New Avengers. 12.00 am Weather followed by How To Use A Vicar.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Survival Special. 10.20 Crown Green Bowling. 10.45 The New Ed Allen Show. 11.20 Rockstage. 1.20 pm North East News. 1.25 Where the Jobs Are. 1.30 Superstar Profile. 2.45 Young Ramsay. 4.15 Cartoon Time. 5.15 The New Fred and Barney Show. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North East News. 10.32 Hagen. 11.30 Portraits of Power: Mao. 12.00 am Will Your Anchor Hold?

ULSTER

1.20 pm Lunchtime. 2.45 Bracken. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Family Matters. 10.29 Ulster weather. 10.30 Rockstage. 11.30 Bedtime.

WESTWARD

9.40 am Sesame Street. 10.40 Hands. 11.05 Village Action. 11.30 Razzmatazz. 11.55 Wattoo Wattoo. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 Bracken. 5.15 Out of Town. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 Twenty Years. 11.05 Police Surgeon. 11.35 Faith for Life. 11.40 West Country weather forecast.

YORKSHIRE

9.30 am World Fairy Tales. 9.40 West Norfolk. †10.05 The Bedford Incident. 11.45 Threads. 11.55 Wattoo Wattoo. 1.20 pm Calendar News. 2.45 Bracken. 5.15 Mork and Mindy. 6.00 *Calendar (Emley Moor and Belmont editions).* 10.30 Film: "X, Y and Zee."

(S) Stereophonic broadcast
‡Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Andy Peebles. 11.00 Simon Bates with the Radio 1 Roadshow from Scarborough. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell, including 5.30 Newsbeat. 7.00 Radio 1 Mailbag. *8.00 Richard Skinner.* 10.00 John Peel (S).

RADIO 2

5.00 am Colin Berry (S) including 6.15 Pause for Thought. 7.30 Terry Wogan (S) including 8.35 Racing Bulletin. 8.45 Pause for Thought. 10.00 Jimmy Young (S) including 12.02 Sports Desk. 12.04 pm John Dunn (S) including 1.01, 1.45 Sports Desk. 2.00 Ed Stewart (S) with Family Favourites including 2.45, 3.45 Sports Desk. 4.00 David Hamilton (S) including 4.45 Sports Desk. 5.45 News. 7.30 David Symonds with Much More Music (S) (joins VHF). 8.00 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Among Your Souvenirs (S). 9.55 Sports Desk. 10.00 Sing the World . . . 10.30 Hubert Gregg says Thanks for the Memory. 11.00 Brian Matthew with Round Midnight, including 12.00 am Midnight News. 1.00 Trucker's Hour with Sheila Tracy (S). 2.00 am You and the Night and the Music (S).

RADIO 3

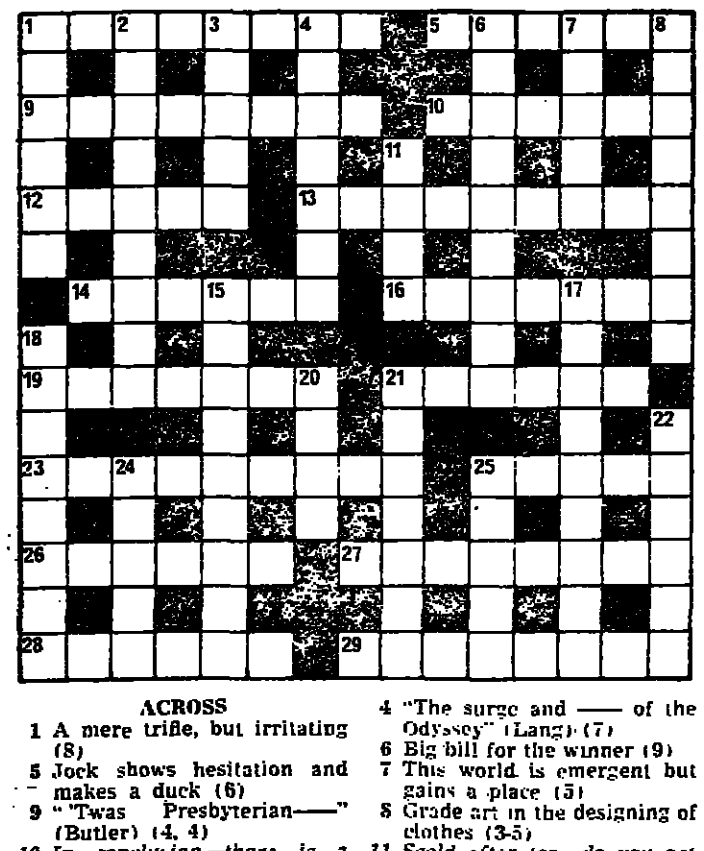
6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice: Record requests: Vaquetas, Bach, Campra, Handel, Albinoni (S). 8.00 News. 8.05 Your Midweek Choice (cont.) Liszt, Mozart, Scriabin. 9.00 News. 9.05 This Week's Composer: Handel (S). 10.00 Violin and Piano Recital: Roslavetz, Nielsen (S). 10.40 Music for Organ Recital in the Royal Festival Hall, of works by Reger (S). 11.20 Songs by Stanford, *Schubert and Donizetti (S).* 12.10 pm Midday Concert (part 1): Rossini, Pierne, Elgar (S). 1.00 News. 1.05 Concert (part 2): Dvorak (S). 1.50 Adam: A cantata by Alfred Nieman (S). 2.30 Anthea Gifford Guitar recital: Dowland transcr. Gifford, Cimarosa, Ponce, Burkhart, Sainz de la Maza (S). 3.05 The Symphonies of Fibich. 4.00 Choral Evensong from Canterbury Cathedral (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Let the Peoples Sing: Choral competition (S). 7.30 Proms 81 direct from the Royal Albert Hall (part 1): Tippett, Schumann (S). 8.25 Six Continents. 8.45 Proms 81 (part 2): Alan Bush, Beethoven (S). 9.45 Poulenc: Trio for Oboe, Bassoon and Piano (S). 10.00 One Pair of Ears. 10.15 Violin and Piano Recital: Szalketics, Brian Elias, Dallapiccola (S). 11.00 News. 11.05-11.15 Lullaby by Gershwin (S).

VHF only: Open University: 5.55-6.55 am and 11.15 am-12.35 am.

RADIO 4

6.00 am News. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.45 The Spy Who Came In From the Cold by John Le Carre. 9.00 News. 9.05 Mid-week: Pete Murray. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 *Baker's Dozen Richard Baker with* records (S). 12.00 pm News. 12.02 You and Yours. 12.27 It Makes Me Laugh with Kenneth Williams. 12.55 Weather. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre: "An English Lesson," by Paul Thain. 3.50 Through My Window. 4.00 Something to Perfection Brought: celebration of W. B. Yeats. 4.45 "Biggles Flies North," by Capt W. E. Johns (in eight parts). 5.00 PM. 5.50 Shipping Forecast. 5.55 Weather. 6.00 The Six O'Clock News. 6.30 The Year in Question. 7.00 News. 7.05 The Archers. 7.20 Checkpoint. Roger Cook investigates. 7.45 The Discovery of Penicillin. 8.30 Villi and the Raven. 8.45 File On 4. 9.30 Kaleidoscope. 10.00 The World Tonight. 10.30 The Lord of the Rings by J. R. R. Tolkein (S). 11.00 A Book At Bedtime: "Bevis: The Story of a Boy," by Richard Jefferies. 11.15 The Financial World Tonight. 11.30 Unforgettables: Edward Cole presents musical nostalgia. 12.00 am News. 12.15 Shipping Forecast.

F.T. CROSSWORD PUZZLE No. 4,638



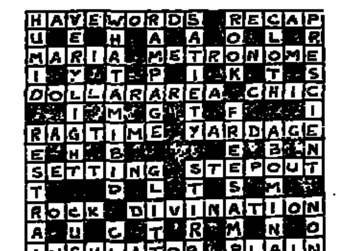
ACROSS

1 A mere trifle, but irritating (8)
5 Jock shows hesitation and makes a duck (6)
9 "'Twas Presbyterian——" (Butler) (4, 4)
10 In conclusion—there is a lot of noise in England (6)
12 Meaningless, yet confused about a member (5)
13 Wend round about the Antipodes (4, 5)
14 Change course about 45 degrees for superficial show (6)
16 A wreath for Judy (7)
19 Subsequently nearly everything was right or left (7)
21 Scold a worker about a strike-breaker (6)
23 Pulls his weight, but upsets the orchestra (9)
25 A short pause for a number of the Romans in a deep sleep (5)
26 A gentleman from Spain includes one more advanced (6)
27 Inclined to notice the Yard returning to spread (8)
28 Familiar with reception (2, 4)
29 Ready for the ministry (8)

DOWN

1 Comparatively healthy for a mechanic (6)
2 Oriental repartee intended, we hear, for the outfit (9)
3 Copper gets by with a shilling (5)
4 "The surge and —— of the Odyssey" (Lang) (7)
6 Big bill for the winner (9)
7 This world is emergent but gains a place (5)
8 Grade art in the designing of clothes (3-5)
11 Scold after tea—do you get it? (4)
15 A mean creature who makes both ends meet (9)
17 Involuntary actor for mother not up to a car (9)
18 Known as the Euxine in ancient days (5, 3)
20 Trumpet as decoy (4)
21 Haemophiliac extortioner (7)
22 Frank, combines present ability with past performance (6)
24 Hurried to church from the farm (5)
25 Starting point from which to survey mankind (5)

Solution to Puzzle No 4,637



ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

THEATRES

CINEMAS

FINANCIAL TIMES

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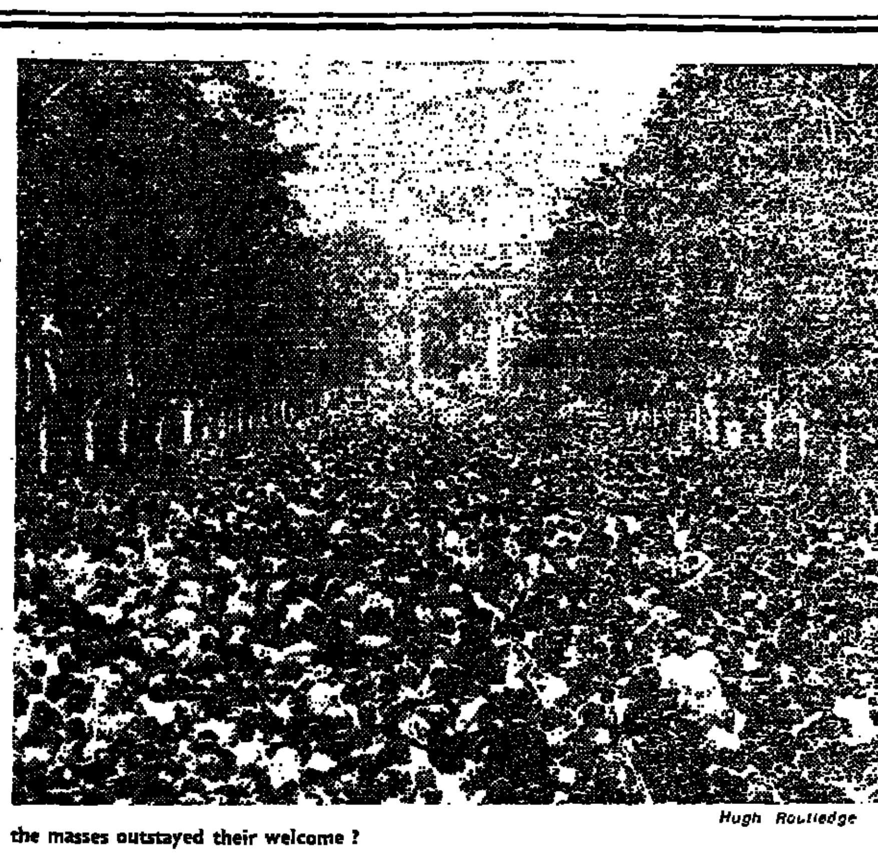
THE ARTS

From Headingley to The Mall . . . have the masses outstayed their welcome ?

Hugh Routledge

Tricycle, Kilburn

Urfaust by MICHAEL COVENEY

London has not hosted an international festival since the last of Sir Peter Daubeny's World Theatre Seasons at the Aldwych six years ago. The London International Festival of Theatre — LIFT — invades several fringe venues around town for the next two weeks and its opening last night, setting one's critical faculties aside for the moment, is a tribute to the hard work, enthusiasm and commitment of three university graduates in their mid-20s, Lucy Neal, Rose de Wend Fenton and Simon Evans.

The *Urfaust* was Goethe's original manuscript for Part One of *Faust*, now presumed lost, but surviving in a transcript published in 1887. This black leather and bondage version is performed by Die Vaganten from Cologne and, while it finds a successful visual format for what is obviously seen as the brutalising effect of academic life on the hero, the show is a faintly nasty concoction of aggressive statements. It is certainly, and perhaps appropriately, soul-destroying.

We hear Faust's monologue on the natural and metaphysical worlds in a booming disembodied voice emanating from a star-spangled sky, but that is the only attempt at universal significance, and rightly. The introduction to the secrets of knowledge and medicine is done as a lecture to a disaffected student in front of a depressing slide show of university architecture and mutilated bodies. With a burst of a pneumatic drill, we are in Auerbach's cellar, a sleazy disco in the red light district where Gretchen, trussed in black leather, strips off and discovers the jewels.

Her copulation with Faust is the sort of scene you glimpse through smoky doorways on the Reeperbähn. The pregnancy is the work of a bicycle pump, leaving Faust to pleasure himself on the bed with a swan. No doubt this is what the Germans mean by swan-upping. So it goes, with Faust prancing around the stage like Mick Jagger and a small band punching out some uncompromising rock with some especially good percussion. Beakers of wine are passed through the audience and Gretchen's death is an exercise in manacled degradation.

You will have to rely on your German as there are, thank Heavens, no World Theatre-style portable parking meters transmitting simultaneous translation.

Television

Far from the wedding crowd

by CLEMENT FREUD

The late Cecil B. de Mille maintained that if you gave people what they wanted, they would turn up. (The fact that he propounded this theory at the well attended funeral of a fellow film-mogul is irrelevant to the argument.) What he did not say—and it would have been substantially more original had he done so—was that if you give people what they want in the way they want it, they will not only turn up but stay on.

The really remarkable thing about the wedding, sorry The Wedding, was not that a zillion people attended; it was that when it was all over, when the last champagne goblet had been washed up, the last waistcoat button loosened, the last horse been given its physic and the final celebratory sword re-sheathed and unbuckled, 0.85 zillion people remained standing in The Mall nostalgically basking in the beauty of the pageantry, the radiance of the Princess and the tremendously decent behaviour of The Police which was quite unrecognisable from that of their cousins in Brixton and Toxteth.

TV carried it all. The independent channel with more original pictures, the Beeb with less obtrusive commentary, but whereas the early morning shows had embraced the imaginatively wide dramatis personae from hat-maker to dustcart operative, busker to tracker-dog sniffing the sewers for explosives, and the middle morning covered The Ceremony, the afternoon was something of a let-down.

Once the pomp of the procession gave way to the circumstance of 45 major London thoroughfares jammed with contented humanity, the commentary descended to the banal. "Look at the people" (BBC), "I don't think I have ever seen so many people" (ITV), "How are they going to clear a passage for the going-away coach?" (NBC), were some of the better spontaneous remarks.

The Wedding meant different things to different people but as far as the TV coverage went . . . and it went a very long way . . . it was all directed at the loyal British patriot with a love of history and a burning desire to know about protocol. There was very little for those who watched the horses for dressage skills. I met a woman in Lords Banqueting Suite on the day after The Wedding who complained that when she had seen a close-up of the buttonholing on the uniforms she had switched off in shame. "I would have done it myself, very reasonably in view of the occasion" she said, "but that was really shoddy work." Nothing uplifting for her. Personally, I would have enjoyed an hour or two on the wedding buffet—but that might have been considered a breach of etiquette. I know the cucumber sandwiches were intended as a surprise.

As I went to the Isle of Ely on Royal Wedding Day (determined not to be overthrown during a temporary absence, as happened to that nice man from the Gambia) I missed much. Luckily I saw most of it again and will continue so to do.

The other occasion in which TV recorded but failed to make full use of the pictures at its disposal, was the ending of the Fourth Test Match. While Dutchmen and Americans with names like proprietary milk puddings were seen driving motorbikes around Silverstone track sideways, England took wickets and we viewers were too late to join in the euphoria. When they finally moved locations, they showed us what we had missed while Creamola had been dicing around Druids and went live to the Edgbaston thousands waving and waiting after the game was won. It was The Mall all over again . . . but while the Royal Wedding commentators know something, if not a great deal, about joyous crowds, technocrat cricket commentators were out of their depths. They provide good, hard information about a spot just outside the lefthander's off-stump and discuss the relative merits of moving short backward point to the second gully position for the ball that goes through with the arm: come 10,000 people standing their ground on the terraces and on the pitch they are marvellously ill-equipped to criticise.

Benaud ignores them, keeps giving the score for the benefit of those who have just come back from The Mall; but poor Jim Laker—while the camera shows the jubilant, scantily dressed fans cheering and chanting — talks of Chris Old's manoeuvres with the new ball and the need to consider the enlistment of a second spinner for the Fifth Test.

Twiddling with the channels to become acquainted with the German Grand Prix result, I chanced across Mr Richard Baker sitting on a settee with Mr George Thomas, Speaker of the House of Commons. "I understand that you were nearly called Zacchariah," said Baker. "Ah," said the Speaker "what a beautiful name. I once knew a lad called Ezekiel Davies and then there was Isaiah Jones and Ephraim . . . another lovely name." "So what is your next hymn?" asked Mr Baker. It was back to the world we all know and love, where the programme ends and everyone goes home.

New Half Moon

Oh, How Nobly We Lived

More souls are lost in East London in this Polish production which opens with a train ride to God's funeral. After an hour of agonised and despairing contortions from the Theatre of the 8th Day, the lingering images are overwhelmingly Roman Catholic or transgressions of the same. An innocent young student (identified by the synopsis), plays out Pontius Pilate washing his hands after a dissection instead of a crucifixion. Whores abound, though there is no trace of a madonna. To the sound of Mozart's Requiem, much is suggested, little made explicit. This must be the company's showpiece—what happened to His creation after the Sabbath.

Humanity's fate may be dire, but it is at least more interesting in performance than is suggested by the banality of the printed text, a composite effort by the six strong group and director Lech Raczak. This is distributed before the show, but the actors speak English much of the time so detailed study is not essential. Having established that God is dead, the script repeats this old news with uninspired variations.

Politics occur via hints, heavy symbols or over-generalised explanation. "I am daily torn to pieces at the assembly line," cries a voice over the dissection table. There are some impressive moments in the show, but an overwhelming sense of occlusion, of dabbling with issues that could be better expressed through social realism than the school of Artaud and Grotowski.

At its best, the group is both startling and suggestive as in the initial scene where the participants run on with suitcases to board the train, or in the "dies Irae," when trench-coated angels march from heaven below billowing white wings. But these are isolated moments.

ROSALIND CARNE

Barclays backs ballet

Barclays Bank International is to sponsor the Royal Ballet and Sadler's Wells Royal Ballet overseas tours to the tune of £500,000 spread over the next four years.

Announcing the scheme this week, Mr Henry Lambert, chairman of Barclays Bank International, said previous Barclays sponsorship had been forthcoming as a result of approaches made to the company. This time, Barclays had entered the arena with the offer of support. Details of the proposed overseas tours are not yet finalised, but the companies are expected to visit Australia, Italy, China, Japan, Korea, Hong Kong, France, the U.S. and Canada.

Sir John Tooley, general director of the Royal Opera House, welcomed the initiative of Barclays and said that one of the traits of Government sponsorship was to overlook the benefits of foreign touring. The Arts Council and the British Council were already stretched to the limit. The proposed visits of the Royal Ballet companies abroad would persuade people in those countries to "think British" and do no harm to trade discussions.

The Royal Ballet has toured extensively throughout the world since 1946, but increased costs have made this tradition difficult to maintain. Corporate supporters of the arts, like Barclays, have the opportunity of assuming a crucial role that could prove to be mutually beneficial.

Royal Academy

Leonardo da Vinci

by ROY STRONG

The exhibition of Leonardo da Vinci nature studies from the Royal Collection together with the Codex Hammer at the Royal Academy is a joy to look at. In the first place, it is arranged with great style, a model of what a touring exhibition should be. Each drawing is mounted, almost laminated, between two sheets of glass of perspex floating within its mount, enabling us when necessary to see both recto and verso. Together they make up a series of screens which are placed on white cubes and each drawing is individually lit. Otherwise the rooms are in darkness, important from the point of view of conservation, but equally so to obliterate the architecture. Our first impression on arrival therefore is of beautifully composed abstract arrangement of geometric shapes and pools of light. So I begin with an acolade to Paul Williams, the designer.

Our next reaction is to focus down on to the drawings themselves. I shall begin by disposing of the Codex Hammer, as it is now labelled; that manuscript about which there was the usual endless wrangle as Holkham Hall attempted to square off its death duties. Naturally the contents of the blotting paper of a genius are interesting but for the average visitor this is a part of the exhibition which will come as a crushing disappointment.

Of course the manuscript is important. Written during Leonardo's second Milanese period from 1506-13 it ranges over typical polymathic subject-matter, mathematics, hydraulics, engineering, optics, geology and anatomy. There are 20 tightly written folios in the famous mirror script together with occasional marginal diagrams. It is fascinating no doubt for Leonardo scholars but even for them only if it is placed into the context of his other surviving manuscript notebooks. For me it rather provided food for thought on the instant hysteria which is let loose every time anything is ever about to leave these shores. We will certainly be faced with far more agonising choices in the next 25 years. What we stand in need of is a far keener and more balanced view of what in the long-term is essential to the fabric of our heritage and what is not.

The great joy, however, is to see the Royal Collection of Leonardo's Nature studies which I have certainly not seen since the early 1950s when I came as a starry-eyed schoolboy to the Diploma Gallery. This time they are arranged in groups according to subject-matter: landscapes, plants and water; horses and animals; figures and, finally, a miscellany of scientific drawings and odd allegories. No one can fail to draw satisfaction from these sheets as drawings. And this is the clue, for the brilliant scholarly apparatus by Carlo Pedretti is best read at home because he looks at them, quite rightly, not as works of art but as projections of the mind and analytical diagrams exploring theories, processes or the structure of the physical world.

The plant drawings reflect the renaissance investigation of all natural phenomena, a movement that led to the creation of botanical gardens and to the great works of l'Obel or, in our country, of Gerard codifying plant types. We recognise these plants from their appearance in the background of portraits such as that of Ginevra Benci or subject pictures such as Leda and the Swan. There is the famous Star of Bethlehem drawing, pen over red chalk, the tendrils of the leaves like hair, almost vibrating with incipient movement. There is the spray of oak leaves and acorns, two different types of rush or a branch of blackberry.

And there is water, water everywhere. He was obsessed by it. Leonardo was an hydraulic engineer and he embodies, in one of his aspects, renaissance developments in this field, the watering of the plains of Lombardy and Tuscany by means of canals. Water as a war weapon is seen in the plan to divert the Arno from Pisa. It was an area of knowledge in which the texts from the past from Archimedes and Philo to Alberti and Fancesco di Giorgio helped little. Leonardo returned to *sperienza*, that volition of the mind from which was to stem the modern world. And so there are drawings of water passing through, or impeded by, obstacles and, as his cosmology was traditional, we can see him moving naturally from this movement of water across the earth's surface on to anatomical studies and the blood coursing through man the microcosm.

But these are eclipsed by the cataclysmic series on the subject of a deluge. They are pure John Martin, apocalyptic in power as vast torrents swirl, mountains crash and towns and villages are swept away. The motives behind them are equally complex. They probably initially reflect a natural catastrophe of the time, for an event of this kind did occur in the Alps near Bellinzona in both 1513 and 1519. But even if this is so, it is only a point of departure for an excursus into a series of nightmare apparitions as civilisation collapses in the wake of storm and water. Whole trees are carried away, water engulfs a hill-top village, a mountain range is burst open and falling rocks cause enormous waves in a lake.

There is an excitement and a mystery to these chalk and ink drawings as we peer into them and decipher form and line. Linked to them is the drawing of the enigmatic lady pointing into the distance. She stands on a rock with water encircling her, her drapery and hair caught in gusts of wind. Once again we are back in the world of wind and water and its effects but this time they facilitate the drapery so as to reveal the figure in the antique manner. The effect is haunting.

If there is something missing from the exhibition it is what was missing from Leonardo the man. On the whole there is little trace of ordinary human emotion, whether happiness, pathos or compassion. Like Mantegna, Leonardo was a cold fish, the antithesis of a Rubens or a Rembrandt. And in that fact perhaps lies both his genius and his tragedy.

Leonardo da Vinci—Standing Woman in Landscape

Record entry from overseas singers

Once again the Benson and Hedges Gold Award competition for concert singers has attracted a larger overseas entry than from Britain. Out of the 50 contestants, a record 28 come from abroad.

The U.S. leads the overseas contingent with ten singers; six come from Australia. Israel, Japan and France have two each and there are single entries from Poland, Canada, India, Austria, Spain and New Zealand.

The preliminary round takes place at the Guildhall School of Music and Drama in The Barbican on August 19, 20 and 21. There are two sessions each day, at 3 pm and at 7 pm and they are open to the public, free of charge.

First prize out of a total of £6,000 is worth £2,500. Benson and Hedges will arrange a recital for the Gold Award winner at the Wigmore Hall in London and the National Trust will organise a recital in one of their properties.

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Wednesday August 5 1981

The Cabinet falls out

THE OPEN debate that has broken out over the length and depth of the recession reveals more about the state of the Cabinet than the state of the economy.

No doubt Sir Geoffrey Howe, the Chancellor of the Exchequer, was unwise when he said in the House of Commons last Thursday—in the remark that set it all off—that we are now at the end of the recession. The point was made more accurately by Mr Leon Brittan, the chief secretary, a few minutes later when he argued that collectively the index of manufacturing production, CBI surveys and the Central Statistical Office's cyclical indicators suggest that the worst of the recession is behind us. No-one, including the Chancellor, who did address the Neddy meeting today, is yet talking about any dramatic recovery.

Rail strike

It ought to be possible for the Cabinet as a whole to agree on the following broad analysis. There are a few encouraging signs, such as the expected rise in productivity when demand expands. There is a number of major uncertainties, such as interest rates and the level of the next round of pay settlements. And there are some distinctly negative factors, such as the probability that unemployment will continue to increase, though more slowly, even when recovery begins.

As a balance, it is far from ideal, but no member of the Cabinet can fairly argue that it is entirely unexpected, especially under a government committed to introducing a more market-oriented economy. If anything, it is a time for watching and waiting and perhaps for a better effort at explaining what the Government is doing rather than for any radical change of course. After all, some of the imponderables may eventually work in the Government's favour.

The threatened rail strike, for example, may turn out to be less than an unmitigated disaster. Here is a classic case of an overmanned industry, with too many unions, failing to put its house in order and yet at the same time demanding more money both for pay and investment. The dispute will have to be well handled of course, but it should not be beyond the wit of the Government to say that more money will be forthcoming only in return for improved productivity and to carry the country with it. That is precisely the kind of thing Mrs Thatcher was elected to do.

Yet it seems that some members of the Cabinet are reluctant to wait any longer for the Government's policies to pay off. Mr Peter Walker has been characteristically forthright. Mr Francis Pym has been more veiled in his criticism, but unmistakable none the less. Even Lord Thorneycroft, the Party chairman, has added a dissident note.

This continual Cabinet carping creates an uncertainty of its own. It encourages the belief that sooner or later there will be a major shift in economic policy. Politically, too, it presents the Prime Minister with an old dilemma in sharper form: should she, or should she not, change the Cabinet, and if so, when?

A few weeks ago—before the riots—it was quite likely that she would act before the summer recess. That chance has been missed and it would be curious timing to go in for wholesale changes just before the party conference in the autumn. This stay of execution, if such it is, is to be welcomed, even though some junior ministers are clearly getting restless. Yet both the composition and the working of the Cabinet need to be given more thought.

Chairman

Mrs Thatcher has never been good at Cabinet-making, preferring to accept what she inherited. She has not been good at running the Cabinet either, except by dominating it through the control of the agenda. What is needed now is rather more Cabinet discussion. The arguments come out in public partly because they do not take place in private.

Some thought ought also to be given to a successor to Lord Thorneycroft. He has been asked to stay a few more months, but will be 74 at the time of the next general election. All that adds up to a major reshuffle—and a new Chairman—around the turn of the year. By then, the state of the economy should be somewhat clearer.

Japan's ability to adjust

TODAY'S OECD survey of Japan is fresh testimony to the flexibility of the Japanese economy. As countries across the world, industrialised and developing alike, bemoan the damage done by the oil price shocks of 1974 and 1979, Japan's economic performance is a reminder that with appropriate government policies, coupled with a willingness on the part of industry to adjust, most of the damage can be undone.

Japan's heavy reliance on imported energy and raw materials makes it particularly vulnerable to external economic forces. In the wake of the 1979 oil price increase, Japan's terms of trade tumbled by 20 per cent, at a cost to the economy of an estimated $25bn. If any country could blame rising oil prices for its economic ills, Japan could.

Annual growth

Instead, Japan has consistently outperformed other OECD member states. Almost every indicator illustrates the comparative buoyancy of the Japanese economy. Over the period from 1973, covering the two oil shocks, Japan has managed GNP growth of about 3.8 per cent. By comparison, the U.S. has averaged 2.1 per cent, and the EEC member states 2.2 per cent.

Productivity has averaged 3 per cent annual growth (with industrial productivity even higher), while others have not bettered 2 per cent. Inflation has averaged 9.7 per cent a year and has not topped 8 per cent since 1975. Only the U.S. can match this rate. Unemployment has stayed at a low 1.9 per cent. The current account has stayed in equilibrium despite wild fluctuations in the country's terms of trade.

The OECD sees numerous reasons for Japan's remarkable ability to adjust to new economic circumstances. Most prominent are the dynamism of the private manufacturing sector and the unique character of Japan's industrial relations. It also sees the distinctive relationship that exists between industry and government as an important advantage.

The dynamism of Japanese industry is seen in the extensive transformation of industry towards technologically advanced sectors, coupled with rationalisation of production methods, which has resulted in more efficient use of labour and considerable savings in consumption of energy and raw materials. Excess capacity in depressed industries has been eliminated, and small enterprises have been modernised and rationalised.

The puzzle for many Western industrialists is why they cannot achieve similar transformations at home. At least part of the answer lies in Japan's unique labour relations. Life-time employment, eliminating the fear of possible redundancy, has made employees willing to accept mechanisation and other labour-saving work methods. Company unions, rather than unions based on industries or occupations, help to insure that workers identify their own best interests with those of their employer. The important place of productivity bonus payments has helped to curb annual wage demands and has linked earnings to increased output. Labour management relations are less antagonistic and much more constructive than in most OECD member countries.

The Government's role is also critical, being limited to involvement in those areas of the economy where investments with a long lead time are needed, or where investments are massive. However, as the OECD notes, "industry's acceptance of Government guidance as a legitimate process, and the role played by MITI in industrial policymaking, appears unique"—and at the same time has encountered adjustment. This co-operative relationship has played an important part in Japan's buoyant economic performance, and is notable only by its absence in many of the OECD's more troubled economies.

Private investment

The very distinctiveness of Japan's socio-economic structure often leads to a conviction in the West that it offers nothing from which we can learn. We are left with an economic miracle which we can observe but not emulate. This attitude is mistaken, and prevents important insights from being gained. The premium put on high levels of educational achievement, the vigour of internal competition, the encouragement of high levels of private investment—these and similar attitudes and policies would bear fruit just as healthily in the West as they do in Japan.

SPECIAL STEELS INDUSTRY

A Doomsday message

By Alan Pike

SOME years ago an Englishman and an Austrian, both employed in the steel industry, were having a drink in a Yorkshire public house. During their conversation, the Austrian boasted that his company was prepared to dump special steels in Britain at any price until it became established.

Tday more than half the special steels used by British British manufacturers are imported and the special steels industry is in such serious trouble that it may be on its deathbed. The Englishman is still cursing the fact that he did not tape-record the conversation in the public-house.

Those who choose to keep an open mind about the veracity of second-hand reports of pub discussions will find something of the same theme in the less anecedotal pages of the report of Prof Sir Frederick Warner's inquiry into the future of the British special steels industry.

The substantial increase in import penetration has apparently stemmed, he says, from overseas suppliers setting up merchanting operations which have been expanded into stockholding subsidiaries. "These producers were apparently willing to cut prices originally to attract customers and to retain them by maintaining excellent quality and providing a good back-up service."

In a falling market special steels imports have increased from 13 per cent in 1971 to 52 per cent in 1980. Employment has declined from 18,000 in 1971 to somewhere between 3,500 and 5,000 today. The overall problem is every bit as bad as these figures suggest.

Special steels are the top quality higher value added sector of the steel market and, although the British Steel Corporation is a significant producer of stainless steel, the British industry is pre-dominantly in private hands. Sir Frederick's inquiry, commissioned after discussions between the private steel companies and the Bank of England, concentrated on three of the industry's leading product areas—high speed steel, tool steel and stainless.

High speed steels, used in cutting tools and moving parts of machines, are the most expensive of the three and can range in price from £3,000 to more than £11,000 per tonne. Although the industry contains a range of small companies, based mainly in the Sheffield area, at least three-quarters of output in each of the three sectors is in the hands of a few companies. Aurora, Sanderson Kayser and Richard W. Carr predominate in tool steel; Aurora and Barworth Flockton in high speed steel, and Firth Brown, C. G. Carlisle, Aurora and Spartan Redheugh in stainless.

Dark rumours abound in Sheffield about the sales activities of foreign special steels producers. There are stories that potential customers are vetted in case they are acting as agents for the British industry, trying to prove cases of unfair practice against foreign competitors.

In such an amosphere hard fact is difficult to come by—as the Warner report says, fierce competition has rendered price lists "largely notional." Generally speaking, however, prices are if anything weaker now than in 1979 and there are instances of discounts of as much as 40 per cent being offered on list prices.

In this highly competitive atmosphere, the British special steels industry is confounded not only by import penetration but by the comparatively small size of its home market. The German market is five times, and the French three times, larger than the UK one—depriving British producers both of domestic sales opportunities and the benefits of large-scale production.

Recent British production of tool steel—around 20,000 tonnes per annum—has been only a quarter of the combined output of two German special steels producers. Sales in the British market are currently calculated to be around £50m-£60m, compared with £100m in the late 1970s.

The British special steels industry has been further exposed during recent difficult times because, while many of its competitors are part of much larger general steels and engineering groups, it consists of comparatively small, independent companies. These companies—as those who run them and work in them never tire of pointing out—form one of the few examples of completely unsubsidised steel production in Europe, but must compete against rivals which are receiving various forms of direct or indirect aid.

About half the special steels imports to Britain come from EEC sources with the remainder dividing between associated countries like Austria and Sweden, and other sources including the U.S., Brazil and Eastern Europe.

Although the British industry is sometimes accused by consumers of giving insufficient attention to service and marketing, price rather than quality is seen as the fundamental reason for the rise in imports. Replacement of traditional "Made in Sheffield, England" brand names by internationally-agreed quality standards appears to have increased British manufacturers' confidence in imported special steels.

Leading figures in the industry agree that investment decisions—and levels—have not always matched those of its more successful competitors. It is, for example, accepted with hindsight that much greater attention should have been given to developing the automated production of high-speed steel in coil rather than bars.

The Warner report catalogues £20m-worth of investment in three new automated general forging machines at Firth Brown, Edgar Allen Balfour (Aurora) and Barworth Flockton, plus some further investment in new, second-hand and refurbished equipment elsewhere.

A report produced last year by Sheffield City Council and both sides of the steel industry voiced concern about the absence of long-term investment in special steels: "There is a need to continually up-grade production by introducing new methods and ideas in order to compete successfully in a difficult world market," it said.

Less than a year later, perhaps the most alarming warning in Sir Frederick's report is the fact that he does not repeat this view. Instead, he says that it is "not considered advisable to undertake major investment in the UK in view of the current size of the UK market." Faced with over-capacity in the industry, he suggests that emphasis should be placed on improving the efficiency of old plant rather than investing in new.

Solutions are suggested—with future demand not expected to increase above 40,000 tonnes per annum the present 80,000 tonnes capacity should be approximately halved . . . BSC should become the single major producer of stainless steel billets for sale to the private sector for finishing . . . the Bank of England should set up a working party to decide how existing private sector plant should be re-organised for the production of tool and high speed billet by a single major producer.

To succeed the proposals would depend upon the special steels companies showing more unity than has previously been displayed and on resolving some of the steel industry's wider problems, like weak European price levels. It would also depend upon Britain's special steels manufacturers believing that theirs is a market worth staying in.

The first reaction to the Warner report in the industry has been that Sir Frederick's analysis of the problem is spot on but that some of his worst fears—that much of the British industry could become little more than a merchanting operation for overseas manufacturers—could yet come to pass.

Special steels are used in applications where quality and reliability are of paramount importance and must conform to precise quality definitions. The steels covered in the Warner report are:

HIGH SPEED STEELS
Approximate British market—6,000 tonnes
Main producers: Aurora, Barworth Flockton, Sanderson Kayser, Richard W. Carr.

TOOL STEELS
Approximate British market—21,000 tonnes
Main producers: Aurora, Sanderson Kayser, Richard W. Carr, Firth Brown, Barworth Flockton.

STAINLESS STEEL
Approximate British market—26,000 tonnes
Main producers: Firth Brown, C. G. Carlisle, Aurora, Spartan Redheugh, Spencer Clark, Sanderson Kayser.

Sink or slim choice for castings

A MORE than usually dramatic question is being asked at board meetings of virtually every British steel castings manufacturers this month—should the company volunteer to go out of business?

Companies have until the middle of the month to indicate whether they will support a plan under which survivors would help finance those who agreed to close down. The choice may appear harsh, but if the scheme is rejected part of the industry will undoubtedly find death by a different route.

Steel castings—used for an array of industrial purposes and ranging in size from precision components for the aerospace and automotive industries to castings for heavy industrial use—is not the only part of the foundry industry facing difficulties but its size and organisation make it a manageable case for treatment. In addition to the British Steel Corporation and other nationalised industries, there are a handful of big names like F. H. Lloyd, Lake and Elliot and the Weir group, plus a few dozen other companies.

The restructuring scheme was proposed in a letter to the industry last month from Lazard Brothers and Co, the merchant bank, following discussions with the Department of Industry and the Bank of England. Companies which stayed in business would pay a levy of around 2 per cent of average sales for the next five years, to provide closure compensation of 7 per cent of average sales over the same period.

There is no disagreement that the industry suffers from severe over-capacity which will outlast the present recession. Lazards' proposals envisage a capacity reduction of 25 per cent, or 50,000 tonnes.

The recent history of the industry is not a happy one. Casting, a processing dating back to the earliest days of industrialisation, remains a cost-effective way of shaping steel. But over the years orders from some of the industry's traditional customers like shipbuilding and railways have declined, and more recently there has been a similar drop in demand from the construction, construction equipment and engineering industries.

In 1975 the then Labour Government announced a foundry industry aid scheme under which companies could get 20-25 per cent Government grants for new plant and equipment. The Government earmarked £80m of public money for aid to ferrous foundries. Only £46m was actually provided, but over the next few years there was to be a total investment of some £250m in steel and iron foundries.

From the outset, there were warnings in the industry that the State aid scheme was increasing capacity at a time when this could not possibly be justified by demand. The aid scheme closed for applications at the end of 1977 but the last payments have not been made until very recently—at the same time as the industry has been desperately trying to find ways of reducing capacity.

On the plus side, the aid scheme has ensured that there is a high proportion of new capacity, meaning that sensible rationalisation could leave Britain with a modern, well-equipped steel castings industry. Perversely, however, high interest charges and increased capacity mean that some companies which invested most in modernisation are now suffering the worst effects of the recession, while competitors still operating with lower overheads on outdated equipment are in less immediate difficulty.

Employment in the industry has declined steadily in recent years and is currently down to 13,500. The sheer weight of many steel castings limits the scope for direct exports but the British industry nonetheless has a reasonable record—30,600 tonnes were exported last year against 10,000 tonnes of imports.

The do-it-yourself rationalisation plan being advanced by Lazards arose from approaches by some unidentified steel castings manufacturers and is the only likely chance of an orderly, industry-wide solution to the capacity problem. The Government has declared that there will not be financial aid for the foundry industry. But neither will there be unanimous support for the Lazards scheme—its originators set themselves the target of getting the backing of companies producing 90 per cent of output, and this may prove over-ambitious.

Mr Peter Grant, director of Lazards, predicted at the outset that the idea stood something more than a 50 per cent chance of success and he stands by that assessment. Just over half the industry has responded so far and Mr Grant says that reaction is "on the whole favourable."

If the scheme does receive reasonable backing—and reasonable does not have to mean 90 per cent—detailed discussions on the future structure of the industry will begin.

For the present, the most intriguing questions must remain unanswered. Few of the companies which have so far indicated their interest in principle have said whether they want to pay and stay, or take the money and go.

MEN AND MATTERS

Gladstone waits on the Old Lady

One man waits with nail-biting interest in Sevenoaks this week for the Bank of England's publication of its new list of "eligible names" in the money markets.

Steven Gladstone, great-grandson of the Liberal statesman, is chairman of a little outfit in Kent, Ogilvy, Gillanders and Co., which by some quirk of history still ranks alongside the accepting houses and the clearing banks in the privilege of having its bills rediscounted at the Bank of England.

Ogilvy is quaintly described as "a customer of long standing" of the Old Lady, and Gladstone is anxious that his firm of "East India merchants" which employs half a dozen people is not left out of the new list.

The issue could prove a test case for the Bank. One of the biggest discount houses said yesterday that it had never seen Ogilvy's name in the market but Gladstone insists it is still active.

It was established in 1824 by Sir John Gladstone, a prominent Liverpool businessman and father of Prime Minister William Ewart. At one time it had offices in Liverpool, London and Calcutta but the business contracted and the Indian end is now largely locally owned.

Ogilvy is not the only firm waiting nervously to see whether it will be retained among the eligible names. The old list contained banks such as Grindlay Brandts and Antony Gibbs, both of which had been blackballed from the Accepting Houses Committee but kept their privilege.

It also included Matheson and Co and National Commercial and Glyn's, both of which are mere licensed deposit takers.

The big American and Irish banks are expected to be allowed into the club this time. But there is a question mark over membership for the French and Japanese banks which traditionally discriminate against British banks in their home markets.

Tree tops

Whether moved by an urgent need to escape present-day problems or by mere curiosity, more and more people are delving among the documents of the Public Record Office in search of their family histories.

Visitors to the PRO's reading room increased last year by 10 per cent to more than 98,000—a good half of them, it is estimated, inquiring about their family trees.

Those who objected so vociferously to this year's census might pause to reflect on the pleasure that would be denied their descendants if the practice ceased. Attendances at the Portugal Street census room last year rose by nearly 20 per cent, due almost entirely to the gathering interest in how great-great grandpa lived.

The PRO is buying more microfilm readers and clearing more space to accommodate the expected further increase in visitors after the 1981 census details are made available in January.

Meanwhile, I am happy to report, the PRO's usual academic trade continues with inquiries from abroad about the capture of Dutch ships in the Napoleonic wars and investigations into such esoteric historical corners as the exploits of the Macedonian Mule Corps.

Mersey dash

Before he went to Merseyside, Michael Heseltine's political reputation rested largely, if unfairly, on rumbustious platform performances at Tory conferences and a mace-swinging episode in the Commons.

After two weeks in the unaccustomed cynicism and bitter frustration of that Liverpool environment—a world apart from his seat in Henley—Heseltine's political stock has soared.

It has been "an immensely stimulating and thought-provoking experience," he says. And his response to it has won him new regard and respect. Even if it is sometimes conveyed in sharp-edged Scouse jokes

One of the personal initiatives of his mission was the coach tour of Merseyside yesterday by nearly 30 of the country's top bankers, insurance heads, building society bosses and pension funds managers.

It took Helsetine's staff two days on the telephone to round up this high-powered group of day-trippers—and all responded willingly to his invitation to share his experience of the area and consider what they might do to help repair its ravages.

Though impressed by the busload of potential long-term benefactors, Merseyside waits more expectantly for Heseltine's Press conference today to provide the real climax.

The county council's immediate cash needs are pressing. Riot damage is so far estimated at £6m, and additional police costs at £2m. The council's policy committee was all set last week to seek a 30 per cent increase in the rates to pay for this and other improvements in services but decided to wait instead to see whether Heseltine would lend more than a sympathetic ear.

Off peak

With what looks like remarkably cunning timing, British Rail announces its "biggest ever free travel offer." Taking the battle for custom out of the booking office and into the shopping basket, Sir Peter Parker's men will offer a monthly train pass free in exchange for nine coupons clipped by the canny consumer from a dozen specified grocery items. The pass entitles its holder to take a companion free when buying an Awayday, monthly or weekend return.

One snag—the scheme begins on September 1. The railwaymen's strike is scheduled to begin on August 31, unless the stalled pay talks can be re-started.

A Machiavellian coup in painless PR, you might think. To be followed, perhaps, by the throwing open of the whole British Rail network first-class to anybody able to produce three cigarette ends and a used copy of the Financial Times, while the strike lasts? I might even be moved to infer that BR passenger sales manager David Rayner shares more than just a surname with Sir Derek Rayner, doyen of the public sector misers.

Not so, I am reassured. Industrial action or inaction, BR will honour its offer to Bisto broilers and Fairy frothers. "If there is a strike," says Rayner, "we will extend tickets so that customers get a month-long travel ticket whatever happens." The scheme, which will operate until March next year, is expected "to give away the equivalent of £10m worth of travel, but to gain £7m in hard cash," explains the number-crunching Rayner.

Un peu de trope

When it comes to opening your mouth and putting your foot in it, the metaphor-mixers of today have much to learn from their elders. A correspondent recalls a celebrated display of verbal pyrotechnics which lit up a musty Boardroom over 60 years ago, when a chairman cautioned his colleagues with these words:

"I smell a rat! I see it floating in the air; but mark you, Gentlemen, I shall nip it in the bud before it engulfs us!"

Observer

Ian Hamilton Fazey looks at the growing controversy over police methods used on Merseyside in the wake of the Toxteth riots

Rules change in game of bucks and cons

IN THE argot of central Liverpool there are bucks and cons. The bucks, who are criminals, play a constant game of law and order against the cons, the constables who police them.

There are rules to the game, but only the cons have to play by them. And if the bucks respect the cons, it is the respect of a soccer centre-back for a talented opponent—don't give him a yard and give him a good kicking if you get the chance.

The cons have been getting a good kicking lately in the Toxteth riots. Their tempers have been short and their nerves are frayed. More than one in 10 of Merseyside's policemen has been hurt, some of them seriously. At or near the fighting there have been several injuries and one death among people said to be bystanders or visiting friends in the area. And some cons have undoubtedly broken the rules.

The Toxteth riots have concentrated attention on policing methods, especially as the police have got tougher. At the start of the rioting, which Mr Oxford, quite obviously to anyone there, mistakenly blamed wholly on criminal black hooligans, the police were short on numbers, equipment and technique and were almost overrun. Order was only restored after 2,000 policemen from nine forces had been drafted into central Liverpool.

The last 10 days, with rioting erupting again, have seen police tactics change into an aggressive use of vehicles to charge and chase rioters. One man has been killed and there have been disturbing allegations of some police taking vengeance for earlier reverses, beating up arrested people, and mutilating one rioter with a machete.

Next Saturday week the the Liverpool 8 Defence Committee will hold a march and rally to press for the removal of the chief con, Mr Ken Oxford. The rally will be another step in a growing "sack Oxford" campaign, to which even The Economist added its voice last weekend by urging that he should go, if only to encourage other chief constables to do better.

The view of the Defence Committee, formed to arrange legal help for people arrested in the riots, and the vociferous Merseyside Left, is that the riots have been caused by Government economic policies and questionable policing methods. Support for this view has come from one highly respectable quarter, the Merseyside County Council Police Committee. The committee, meeting after the riots began, passed a resolution praising police bravery but criticising relations between police and public and demanding a remedy to Government policies that "result in despair."

The final form of the resolution came as a surprise to Conservative members of the police committee, for three days earlier, the committee's Labour chairman, Mrs Margaret Simey, had telephoned her Conservative predecessor, Mr Sydney Moss, with a draft that he promised to get his colleagues to support.

He says: "There was nothing in it about policing methods or Government economic policies. Those things were added after the Labour caucus on the council had seen her draft. This whole thing had become entirely political. It would not be happening if we had a Labour Government."

Mrs Simey admits that the draft was altered after discussions within the Labour group. Once agreed in caucus, however, it was bound to be carried, for Labour has an absolute majority on the police committee, a position it was able to create for itself on Merseyside and in several other local authorities after the county council election gains in May.

Police committees are comprised two-thirds of elected councillors and one-third of appointed magistrates. Of the 30 seats on Merseyside's, 16 are now held by Labour councillors, three by Conservatives, one by a Liberal, and 10 by magistrates.

Merseyside County Conservative leader, Mr Neville Goldrein, says: "When we were in control of the council we shared out the elected representatives' seats on the police committee between all three parties. Labour have assumed that the magistrate members are all Conservatives."

Labour Party spokesmen have been keeping their heads down in the last few days following Mrs Simey's remarks a week ago after rioting flared again in Toxteth. Her statement, that the people of Toxteth would be apathetic fools if they did not riot, has caused an embarrassing furore. However, after demands for her resignation, a Labour caucus passed a vote of confidence in her chairmanship.

Paradoxically, one place where her work has been welcomed is in the headquarters of the police force itself. Senior officers, anxious for their beleaguered chief, have privately expressed delight at the damage Mrs Simey has done to her own and Labour's credibility.

What the police want is for people to keep Merseyside's law and order problem in perspective and not have them distorted by political excuses for the riots. These law and order problems are formidable.

The fact that central Liverpool has an argot of its own suggests that there is a criminal sub-culture in which it can develop. The scale of activity in that sub-culture can be gauged directly from criminal statistics and a comparison with other conurbations in Britain.

TOXTETH . . . not all the wounds will heal.

Comparative figures between conurbations for 1980 will not be available until the autumn. What is known so far is that Merseyside's were worse than in 1979, a year in which the region led the country, including London, in many areas of criminal activity.

In 1979, on Merseyside, there were 248 cases of violence against the person for every 100,000 of population, compared with an average of 222 for all metropolitan authorities, and 217 in London. In the burglary league, the London rate per 100,000 people was 1,607, the national, non-London average was 1,025, while Merseyside's figure was 2,061.

And while Lndon led in total indictable offences, at 76.7 per 1,000 people, Merseyside was not far behind at 68.7 and well up on the national average of 56.3.

Such figures have led to Merseyside needing more police than other areas—it has 3.03 per 1,000 population compared with an average of 2.49 nationally—and they're costing more—£13,416 each in 1979 as against a national average of £12,763.

But this crime-ridden image is unfair to most of Merseyside which, like any other conurbation, has mile upon mile of law-abiding suburbia. Indeed, crime is concentrated very largely in a few areas, of which Toxteth is one and Kirkby, the Liverpool overspill town of "Z-cars" fame, another.

This concentration of criminal elements, particularly in Toxteth, actually arises from housing policy, according to Mrs Simey. She says that homeless people with criminal records are offered houses only in Toxteth, creating what sme describe as "social apartheid." But whatever the cause of the concentration, the criminal sub-culture in the area is strong and, in its own way, thoroughly institutionalised.

Thus, when the rioting began, organised looting took place in unpoliced areas while the police were embattled.

Thus, last week, shopkeepers found themselves being menaced for protection money against arson during future rioting.

Thus, there is even a special voluntary visiting service, run by Mrs Joan Jonkers, for victims of muggers, many of whom are old and singled out because of their inability to fight back.

For Mr Oxford, keeping the lid on Merseyside crime has been the consuming priority since he became chief constable in 1976. He took over a difficult situation in central Liverpool where police had a bad name through a "task force" policy where Land Rovers—known in the argot as "jeeps"—would swoop on trouble spots in almost military style.

Mr Oxford banished the Land Rovers to semi-rural areas and has attempted to set about ensuring that the central Liverpool police a more human and accessible image. He let the media in, allowing the BBC to make a brutally candid documentary series called On The Mersey Beat.

Meanwhile, Mr Oxford pressed on with reorganising his force, streamlining its operations and reducing the number of administrative units in order to promote greater efficiency. Central to this policy has been the building of a new £14m police headquarters—to be opened later this year—and the installation in it of a new computerised communications system. The development, already seen as the most advanced of its kind in the world was formulated with the aid of PA Management Consultants, and a data processing system designed by the BOC subsidiary, Software Sciences. It will free many police officers from antiquated systems and enable many more police to be put on the beat.

The increase in productiviy will be remarkable: Merseyside has 4,670 police now; Mr Oxford reckons that using them more efficiently, which the new high technology system will allow, will be equivalent to adding at least 2,000 more.

Mr Oxford has achieved his programme by forceful leadership and good management. But like many a chief executive with comparable responsibility in industry, he has not been able to keep everyone happy while doing it—the very forcefulness required is not always conducive to tactful diplomacy with elected representatives. Earlier this year, for instance, he savaged the Coservative leaders of Merseyside County Council for screwing his budget down tightly as elections approached. This undoubtedly lost him some political allies.

Conservative leaders now, however, refuse to say anything against him or criticise, as they have done privately in the past, what can be a brusque style with outsiders. Mr Moss, who was on the receiving end of the Chief Constable's anger a few months ago, says: "I am not going to make any comment that will help these people to attack him. Fundamentally, Mr Oxford is a good and sincere police officer."

Meanwhile, Mrs Simey, who has been ordered by her political leaders to keep quiet, would say only one thing for the record: "Neither the resignation of Mr Oxford or myself would make a ha'porth of difference. The basic problem here is the lack of democratic accountability of the police to the public they serve."

What "accountability" means is not altogether clear.

What many people want to question, but feel they cannot effectively, is Mr Oxford's judgment. Others, pointing to evidence that it is the type and not the level of policing that most influences control of an area's crime rate, wonder how to get alternative approaches into practice if a chief constable refuses to take civilian advice. They point to community policing of the type practised in Birmingham's Handsworth area as something that should at least be tried.

It is against this background that Merseyside is going to have to pick up the pieces after Toxteth and the Government decide whether it must give ground on the principle of police commitees being able to influence the style in which a chief constable requires his police to go about their jobs.

Letters to the Editor

Dynamic markets

From Mr M. Ashfield

Sir,—I enjoyed Lombard's comments on the royal wedding (July 31) but must point out that he has completely ignored the operation of markets in all their dynamic forms to concentrate on imaginative examples of what would be mere monopoly power.

I am the economist in a large British group, and was in both Hyde Park on Tuesday evening and the Mall on Wednesday. On the demand side, both occasions were the purest form of market that any of your readers is likely to experience in Britain—although the supply side was limited to one firework display and one happy couple. On Tuesday, I am glad to report that London Transport had plenty of competition both from cars and pairs of legs (and even an airship) as means of access to the market. They do not yet have a monopoly.

On Wednesday, there was energetic and international competition for places at the barriers, tempered by some vestigial consideration of the tiredness felt by early arrivals in the market place (another form of price paid) and by love of children. Willing buyers of periscopes sought enterprising sellers; information that one was charging a third less than another circulated rapidly. Constant high demand for ancillary products such as fainting guardsmen, community singing and radio sermons was amply supplied. Market research was in fact carried out by the CEGB, at marginal cost and more rapidly than anything Lombard might suggest. For the results see on your back page, the graph of demand for electricity; upside down it shows access to TV—a competitive but far less satisfying form of access to a flourishing market "of long standing."

Michael Ashfield.
2 Chiltern Hills Road,
Beaconsfield, Bucks.

Buying freely in Europe

From Mr B. Jacques

Sir,—It is with dismay and resignation that I read of the proposal to "close the loophole" which currently permits a British motorist to personally import a car from the Continent (August 3).

I have always associated the word "loophole" with an attempt to defeat the spirit of a law while adhering strictly to the letter of it and, were we discussing methods of (legally) depriving HMG of taxes normally due to it, I would concede the point.

Cars, however, are up to 40 per cent cheaper in Belgium, for example, not because of savings in taxation—the car would be bought tax-free in Belgium with all due taxes payable on importation into the UK—but because motor manufacturers (including British manufacturers) choose to price their cars at a higher level on the UK market than they can achieve almost anywhere else in Europe.

If British Leyland, et al, adopt a policy to sell cars 25 per cent or more cheaper in Belgium than in the UK, it is curious that they then object to the British motorist taking advantage of this. I find it even more curious that they are to be helped by a Conservative Government—elected on a platform of free trade, more competition, less governmental interference in the market place, British membership of the EEC, etc.—to be even more restrictive.

I trust that if Heinz is prepared to sell baked beans more cheaply in Yorkshire than in Lancashire then HMG will not "close the loophole" by restricting their importation by cost-conscious Lancastrians! More seriously, I suppose that any non-UK resident (or diplomat) will be made to use his tax-free car, purchased in the UK, on UK roads for six months prior to its exportation—or does the Society of Motor Manufacturers and Traders view that rather differently!

Barry Jacques.
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Barnoldswick, Colne, Lancs.

Competition for car sales

From Dr G. Gemmill

Sir,—The proposal by the Society of Motor Manufacturers and Traders (SMMT) to block the personal import of new cars from the Continent, as reported by Kenneth Gooding (August 3) should be strongly resisted. Mr Gooding's report implies that such imports enter via a "loophole," evading some kind of tax. In fact these imports are subject to exactly the same taxes as domestic vehicles.

Most of the newspaper reports have fudged the issue of why Continental prices are lower. My reading of the evidence is that competition is greater on the Continent. Blocking personal imports would be a restraint on free trade and merely support the less-than-perfectly competitive nature of car-retailing in this country. We need more such imports, not less.

(Dr) G. T. Gemmill,
The City University
Business School.
Lionel Denny House,
23 Goswell Road, EC1.

Mr. Heath's future

From Mr R. Simmerson.

Sir,—The fact that the SDP and Liberal Party continue to work in such close alliance and yet have still not chosen a joint leader is bound to give rise to speculation. Will the eventual leader be a politician who has not yet openly thrown in his lot with the alliance?

Edward Heath seems an obvious possibility. As the main uniting objective of the alliance appears to be the maintenance of our membership in the EEC, his views would be extremely compatible with those of his potential colleagues.

Furthermore his rank as an ex-Prime Minister would tend to make his leadership acceptable (at present there are too many contenders of roughly equal rank).

There is also the question of age: when ambitious rivals select a leader they normally choose an older person as each is hoping that the vacancy will re-occur in the not too distant future by which time each contender will have established sole right to the leadership. The fact that Mr Heath is somewhat older than the present aspirants increases his acceptability.

Thus it appears that Mr Heath is eminently suitable for the leadership of the alliance on the grounds of opinions, rank and age. As, in addition to the above considerations, there is the fact that his continuing within Conservative Party seems pointless, it is surprising that such a move has not already been made; perhaps discussions are even now taking place.

R. Simmerson.
36 Wilton Avenue,
Chiswick, W4.

Courteous and kindly

From the Assistant Treasurer/Secretary, Ogilvy and Mather International

Sir,—I was delighted to read Mr Fabian Acker's letter in your July 31 issue. It leads, like a kindly light amidst the encircling gloom of the ungrammatical use of the word "kindly" by British Airways.

The word "kindly" could be restored to courteous meaning if it were to be moved along the sentence to qualify the action of the passengers. "Passengers are requested to proceed kindly to . . ." makes sense. Passengers are kindly requested to . . ." means that the request is made in a kindly manner which is not what is intended.

To me the most grating British Airways request is to "kindly observe the No Smoking signs." Grammatically this asks us to rest our gaze on the signs themselves without necessarily obeying the injunction they convey.

The real treat for English speaking travellers is the counter at Milan Linate airport labelled "Misconnections."

J. O. Nettleton,
Brettenham House,
Lancaster Place, WC2.

Enterprise zones

From Mr M. Brookfield

Sir,—I can fully appreciate Mr Alan Hollway's concern (July 29) re enterprise zones. Manchester's "enterprise zones" are due to be designated on August 12. Mr Hollway's assumption that service companies, rather than manufacturing industries, will rush to be sited in "zones" is in fact true in Manchester's Trafford Park zone. In a recent analysis of companies moving into three of the newly completed trading estates, every one of the occupied nursery units is a service business.

Mr Hollway points out that further dereliction and deprivation will be caused. Here again, the present trend in Manchester indicates that 79 per cent of the new occupiers in the zone are moving from the periphery. There is already, prior to designation, 2.06m sq ft of space available in Trafford Park outside the zone. The situation will be exacerbated as more businesses abandon properties outside the zone to take advantage of the rate-free units within.

I wonder if Mr Hollway has given any thought to property values outside these zones. An extraordinary situation has arisen in Manchester with rents inside 48 per cent higher than outside. Nevertheless, the financial incentives inside far outweigh the extra initial imbalance. As a consequence, property values and therefore, company assets have fallen by a minimum of 25 per cent. As the surfeit of unoccupied space outside the zone increases, rents and values will plummet as present evidence demonstrates. Many family companies have only survived the present recession by adjusting to economic conditions. They have slimmed workforces, terminated restrictive practices, improved productivity and cauterised spurious expenditure, irrespective of the animosity sometimes created. What cruel irony, after surviving the traumas of the recession, to be rendered totally uncompetitive because of the introduction of an enterprise zone nearby.

Businesses, like Mr Hollway's, that survive the rigours of this recession deserve the freedom and encouragement to expand in a competitive environment and not be driven out of existence by such schemes. Enterprise zones subsidise venture risk businesses against long established and stable companies. These schemes will simply transfer the crisis from depressed areas to somewhere else, probably even worsening the problem in certain areas that have recently erupted in such violence, as Mr Hollway suggests.

I fully endorse Mr Hollway's apprehension of enterprise zones, particularly as Manchester's experience, so far, has shown that manufacturing industry drawn to the zones is conspicuous by its absence. Such anomalies that allow service industries to prosper, because of the subsidies, inside the zones at the expense of jobs and businesses outside, amounts to forward retrogression. Service industries pay as much as 30 per cent of overheads in rates. No wonder Mr Hollway is worried by the prospect of competitors being rate-free for 10 years. I must wholeheartedly agree that there are easier, more effective and productive ways of helping industry.

Michael Brookfield.
17 Coppice Avenue,
Sale, Cheshire.

The Government at half term

From Mr R. Pearce

Sir,—With reference to Samuel Brittan's Economic Viewpoint and John Elliott's Lombard column, both of July 30. I believe that it was Alan Fisher, Moss Evans and the so-called "Winter of discontent" that brought Mrs Thatcher to power.

At half-term she and her cabinet have missed a chance to democratise the trade unions and Mr Prior has missed his chance to put immediate legislation before Parliament to curb the worst excesses of the trade unions. Militants are lying low at the moment because of the fear of losing their jobs but will we see again meetings held in public parks, factory car parks and on football pitches with a show of hands deciding the issue? This should never be allowed to happen again.

Nor should bogus productivity deals be allowed as a means of raising wages, for between 1970 and 1980 we paid ourselves wage and salary increases of 346 per cent while productivity over the same period rose by only 26 per cent. This is why Thatcherism appears to be failing and unemployment rising.

R. J. Pearce.
5, Marlborough Road,
Castle Bromwich,
Birmingham.

Today's Events

GENERAL

UK: Mrs Margaret Thatcher visits Norwich and Kings Lynn, including Lotus car exhibition, and county police headquarters.

National Economic Development Council resumes its consideration of macro-economic policy—Sir Geoffrey Howe, Chancellor of the Exchequer, presents paper on economic progress, Millbank Tower, SW1.

Equal Opportunities Commission statement on job sharing.

Royal Wedding presents exhibition opens, St James's Palace (until October 4).

Institution of Mechanical Engineers presentation and exhibition on the failure of Big Ben in 1976.

Overseas: President Anwar Sadat of Egypt meets President Ronald Reagan in Washington to discuss aid and Palestinian autonomy.

Polish union Solidarity holds two-hour warning strike over food shortages.

Mr Marc Lalonde, Canadian Federal Energy Minister, starts two-day meeting in Montreal with Mr Merv Leitch, Alberta Energy Minister, to discuss energy policy differences between Federal and Provincial Governments.

OFFICIAL STATISTICS

Department of Energy publishes advance energy statistics for June.

COMPANY MEETINGS

British Tar Products, Cafe Royal, Regent Street, W, 12.00. Evans of Leeds, Great Eastern Hotel, Liverpool Street, EC, 12.00. GEI International, Savoy Hotel, Strand, WC, 12.00. Arthur Holden and Sons, Midland Hotel, New Street, Birmingham, 12.00. Mansfield Brewery, Littleworth, Mansfield, 11.30. Mountview Estates, Russell Hotel, Russell Square, WC, 12.00. H. Samuel, Hunters Road, Birmingham, 12.00.

COMPANY MEETINGS

Final dividends: City of London Brewery and Investment Trust, Hales Properties, Ewart New Northern, Garford-Lilley Industries, Hallite Holdings, Wm. Jackson and Son. Interim dividends: Alcan Aluminium (UK), Ault and Wiborg Group, J. Bibby and Sons Foreign and Colonial Investment Trust, Glynwed, Rentokil Group, R Smallshaw Knitwear

UK COMPANY NEWS

Fobel profits slump to £36,000 and final cut

LOSSES in the second half of 1980 have left **Fobel International** with a full year pre-tax profit of only £36,091, compared with the previous year's £1.04m. Turnover fell back from £22.41m to £21.31m.

First-half taxable profits had dropped from £284,634 to £133,069, but the interim dividend was maintained at 0.95p (0.94p) net. The final, however, is being cut sharply from 1.2p to 0.19p for a total payout of 1.14p (2.14p) per 10p share. Certain directors and other holders have waived their right this time to the final payment on 1m shares.

The results reflect the depressed level of business in the UK during the latter part of 1980. Profits of the company's main UK activity, the distribution of DIY products—were offset by losses made by certain smaller subsidiaries outside this core business.

Most of these activities will be run down or sold this year and steps are also being taken to improve profitability of the D-I-Y division as a whole by cutting overheads, closures and *reducing surplus capacity. Once* this has been done, any upturn in business will improve profitability substantially.

The cost of these measures, however, will inevitably affect the UK contribution in 1981, unless there is a substantial improvement in the current levels of turnover for the remainder of the year.

The strong contribution from Hong Kong and the group's Canadian associates should produce a reasonable level of overall profit for the year, while the board says that dividends will be considered when results are to hand.

In the electronics division, the move last summer to a new and much larger factory in Hong Kong meant that in addition to the costs involved, production was disrupted for almost four months. However, sales this year are sharply ahead of 1980 and with a heavy forward order book, this division will be very profitable in 1981, the board states.

The first contribution from the Canadian associates was satisfactory, but sales for the first six months of 1981 are substantially ahead and profits are *expected to be well up on last year.* Further expansion plans in hand.

The very sharp fall in sterling will result in an exchange gain, as against losses in the last three years. A very substantial proportion of group turnover and profit is now earned abroad and these activities have not been affected by the recession.

The board says the group will come through the recession with a profitable D-I-Y distributing operation in the UK, a substantial stake in Canada and an electronics manufacturing division in Hong Kong which are all capable of substantial growth and increasing profitability.

Despite efforts made it has not yet proved possible to bring the American Court case to trial. Since the company commenced the action in early 1978, three years have elapsed during which time each date set down by the U.S. Courts has subsequently been replaced by a date some months later, the board says. But strenuous efforts will be made to press the matter so it can be brought to trial this year.

● comment

Despite losses in the second half and practically no attributable earnings in the full year, Fobel is nonetheless paying a token final dividend after a slightly improved interim. However, the company predicts a strong recovery in the next few years and says pre-tax profits this year should reach £600,000. The group is counting on its Hong Kong and Canadian interests to provide the bulk of the recovery, aided by favourable currency translation. In the UK, rationalisation continues and shoudl *cost £600,000 in the current year* as the group runs down its Acme Electric subsidiary and its retail interests. Its 29 per cent stake in Premium Forest Products should become more valuable this year as the profitable door maker is about to be publicly floated. Interest charges have increased during the year by 27 per cent to £764,000 and the *company remains highly geared.* Although the dividend outlook is bleak this year, the shares are already selling at a 50 per cent discount to net worth and at 18½p, down ½p, they yield a comforting 8.9 per cent. The market capitalisation is £3.1m.

Droplock issue to be listed

The Royal Borough of Kensington and Chelsea is raising £10m by way of a droplock stock issue that is to be quoted on the Stock Exchange.

The issue consists of a four-year *syndicated floating rate* bank loan that can be converted at any time at the option of the Royal Borough to a stock issue 2006 carrying a fixed rate related to the then prevailing rate for long-term gilt-edged stock. Alternatively, conversion takes place automatically if long-term interest rates fall below an agreed level.

Once conversion has taken place, application will be made for the stock to be listed on the Stock Exchange.

Guinness Mahon has managed the issue and the bank syndicate for the loan. The stock issue has been placed with a group of UK institutions by brokers James Capel and Co.

Under the Voluntary Code agreed with the Government, *local authorities have undertaken* to lengthen their debt maturity to an average of seven years. In a time of prevailing high interest rates when conventional fixed rate stock issues are expensive and when banks are unwilling to lend for terms longer than seven years, it has been difficult to fulfill this undertaking. The droplock concept provides a potential solution. The Royal Borough issue is the first of these that will be quoted.

Unitech sharply lower after poor second half

PRE-TAX PROFITS of **Unitech** declined from £5.26m to £4.27m for the year to May 30 1981 despite a £15.14m rise in sales to £86.96m.

At midyear taxable profits were 20 per cent higher at £2.39m (£1.99m) but the directors warned that orders for the second quarter were below sales and that if this pattern continued profits for the whole year were likely to fall short of the previous year's.

However, for the period under review they are proposing a *final dividend of 4.48p (3.99p)* which raises the total from 6.09p to 7p net.

The pre-tax surplus was struck after interest charges of £1.54m (£1.04m).

Tax took £959,000 (£831,000) and after minorities of £98,000 (£72,000) and a pre-acquisition profit last year of £52,000, the attributable balance emerged at £3.21m (£4.31m).

Stated earnings per 10p share were down from 25.6p to 17p.

A change in accounting policy resulted in deferred tax of £4.86m relating to prior years *being written back to retained* earnings. The 1980 tax charge has been reduced from £2.63m to reflect the change.

Turnover and results of foreign subsidiaries were translated at average exchange rates for the year. A translation loss of £328,000 (£115,000) has been written off retained earnings.

A divisional breakdown of turnover and pre-tax profits for the year shows: electronic component marketing £51.31m (£36.52m) and £1.1m (£2.01m); component manufacturing £17.74m (£16.95m) and £1.45m (£1.21m); electronic equipment and sub-units £13.53m (£13.14m) and £1.2m (£1.34m); and industrial controls £4.37m (£5.21m) and £398,000 (£516,000). The surplus also included a holding profit of £125,000 (£183,000).

The directors state that current cost accounts have not been included because without the background information provided in the annual report, publication would not be meaningful. However, they point out that current cost accounts show a more favourable result for the year than the historical figure reported.

● comment

The market was expecting Unitech's drop—the shares shed only 2p on the day. They are likely to stay there, however, as the company expects a reasonably flat performance this year. On the distributing side, some 60 per cent of sales, margins slipped to 2.1 per cent as a result of intense price competition. While UK markets remain depressed, demand in Germany and France has also been declining steadily since the spring. For example, the group's German acquisition, Enatechnick, which cost £3.4m last year, contributed about £400,000 in the year, against £205,000 in the last two months of the previous year. The manufacturing side remains buoyant, however, and long-term the company can probably live up to its glamour multiple of 20. Margins in electronic component distribution are historically 5 per cent and depend on rapid turnover. If demand does pick up in 1982, therefore, the company is well placed to return to its former pattern of steady growth. The yield, at 220p, is 4.6 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ailsa Inv. Trust	4.2	—	4.2	8.2	7.7
Centreway Trust	1	Oct 9	6	1	8
Cowan de Groot	2.5	Oct 2	2.5	3.5	3.5
Fobel Intl.	0.19	—	1.2	1.14	2.14
Unitech	4.48	Oct 1	3.99	7	6.09
Wagon Ind. Hldgs.	3	Oct 2	3*	5	5*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Decline at Wagon Industrial

TAXABLE PROFITS of **Wagon Industrial Holdings** for the year to March 31 1981 were £3.16m, a 35 per cent reduction on the £4.84m of last time. This was despite increased turnover of £52.87m against £50.36m.

The final dividend is effectively held at 3p, making a same-again net total of 5p when last year's payments are adjusted for the *one-for-one scrip issue.* Earnings per 25p share are stated at 12.64p compared with 16.98p.

Trading profits were down from £4.97m to £3.18m. The pre-tax figure was after net redundancy costs of £237,000 (£4,000) and included net financing credits of £225,000 compared with charges of £126,000 previously.

Tax took £637,000 (£1.48m) and after extraordinary credits nil (£256,000) retained profits were £1.52m (£2.61m).

Current cost accounting reduces the taxable profits to £1.77m.

Ailsa Inv. Trust up to £846,310

TAXABLE PROFITS of **Ailsa Investment Trust** moved ahead from £824,186 to £846,310 in the year ended May 31 1981 on increased gross income of £910,254 as against £882,712.

Management expenses and interest came to £63,944 (£58,526) and tax took £275,885 (£269,642) leaving attributable profits of £570,425 (£554,544).

Earnings per 25p share are stated at 8.06p (7.82p) and the net asset value—after the deduction of prior charges at par—is 216.4p (171.2p).

The dividend for the year is being increased to 8.2p (7.7p) per share with a same-again *final of 4.2p.*

ALLIED DESIGNERS

Acceptances have been received in respect of 84.9 per cent of the shares of **Allied International Designers** offered in a *3-for-10* rights issue to raise £483,000.

Cowan de Groot falls £1.65m

ALMOST COMPLETE erosion of profits from its wholesale electrical companies helped bring about a £1.65m fall in taxable profits at **Cowan de Groot** to £927,000 in the year to April 30 1981. Turnover slipped from £44.1m to £41.96m.

By the half year stage pre-tax profits of this holding company had already fallen from £1.28m to £844,000 on turnover of £23.41m (£23.73m).

However the dividend for the year is being maintained at 3.5p net per 10p share with a same again final of 2.5p. The earnings per share are stated well down *at 5.7p (14.4p).*

The directors say excellent results were achieved in the toys and giftwear division—makers of amongst other things John Bull printing sets—and by the group's two wholesale hardwear companies.

The group's major problem came from its wholesale electrical companies, but the Irish companies were also badly hit by the recession in the Republic and incurred heavy losses.

The directors say that, as forecast in their interim statement, the machinery division turned in a loss and with extremely difficult conditions for manufacturing industry they expect profitability will only be gradually restored.

Neither of the acquisition opportunities mentioned in the interim statement have gone ahead following further investigations.

The group has however formed, through acquisition, a small company producing intruder alarms—Codec Security Systems—which the directors say should produce a modest profit in the current year. Cowan has also purchased Napograph, a small company having a long association with subsidiary Carson Baker.

During the year the group's finances remained sound though trading conditions remained far from easy. However the directors are optimistic about Cowan's long term future.

There was a tax credit of £73,000 (£414,000 charge) and the attributable profit emerged at £866,000 (£2.1m) after debiting foreign exchange adjustments of £92,000 (£60,000) and extraordinary items of £42,000 (nil).

● comment

Cowan de Groot has had a very good track record but now, after minimal second-half profitability, it needs to prove the adaptability demanded of a distributor and importer. The maintained dividend is covered, despite the second half collapse, but the group is already eschewing recovery hopes this year and the shares at 44p, down only 2p yes*terday, will remain in limbo* unless the management changes in the blighted divisions—Ireland, electrical and hardware wholesaling and machinery—are shown to be achieving the desired effect quickly. Profits have only been held at all up by the group's earliest activity, toy and giftware importing, which last year was only worth 30 per cent of total profits. The marked shift in dollar parities has not helped toys since the start of the new financial year and it is very possible that this time the group will be carrying a larger than usual proportion of its toy customers' summer stocks for many months. The double figure dividend yield will provide enough support for now but the medium term will depend largely on how a loose agglomeration of over 20 autonomous operating units respond to far greater centralisation and tighter direct overhead control. Ireland, which turned down by over IR£1m, could be a watershed.

Sutcliffe Speakman looks to second half

Mr S. W. Livesey, the chairman of **Sutcliffe, Speakman and Co.** told the annual meeting that although the group would not *make a profit in the half year to* end-September he remained hopeful for the second half.

The chairman revealed that demand for carbon had been adversely affected in recent months by depressed trading conditions, especially in the U.S. However, a recent upturn in orders from North America had taken place and the continuing *strengthening of the U.S. dollar* should prove a further benefit, he said.

For the year to March 31 1981 this Lancashire-based engineer and manufacturer of active carbon incurred a pre-tax loss of £374,000 (£503,000). At mid-year the deficit had widened from £136,000 to £230,000.

Scottish Ice Rink down

PRE-TAX profits of the **Scottish Ice Rink Co. (1928)** fell by £12,444 to £35,842 for the six months to March 31, 1981. Turnover was down from £166,396 to £149,568 and *trading profit was* £27,497 against £47,594.

There will be no interim dividend, the same as last time. The company makes only one payment a year. Earnings per £1 share are stated to have fallen from 80.6355p to 64.0925p.

The directors say that as the company is engaged in a seasonal activity, approximately 90 per cent of its income is earned between October 1 and March 31. They expect the full year's operations to be appreciably below those for the year ending *September 30 1980* when the company made £15,927 pre-tax profits.

Investment income was £8,343 compared with £692. Tax took £7,000 against £12,000 and attributable profits came through at £28,842 (£35,286).

JAPAN ASSETS

The offer for sale of 30m shares of **Japan Assets Trust** at 25p each by Guinness Mahon has been oversubscribed.

In accordance with the prospectus, applications for 22.5m shares have been allotted in full. A total of 3,385 applications for 24.1m shares have been received for the remaining 7.5m shares.

Applications for up to 1,000 shares have been allotted in full; for more than 1,000 shares the allotment is approximately 26.6 per cent of those applied for with a minimum allotment of 1,000 shares.

SPAIN

August 4	Price	+ or —
Banco Bilbao	352	−3
Banco Central	353	+4
Banco Exterior	390	−10
Banco Hispano	325	+4
Banco Ind. Cat.	121	+1
Banco Santander	411	+1
Banco Urquijo	228	
Banco Vizcaya	374	
Banco Zaragoza	246	
Dragados	210	+4
Espanola Zinc	77	
Fecsa	73	−3.5
Gal. Preciados	50.5	−0.5
Hidrola	79.5	+3.5
Iberduero	57.7	−1.2
Petroleos	127	−3.3
Petroliber	82	−7
Sogefisa	59	
Telefonica	73	+0.5
Union Elect.	77.7	−2.5

Ramus puts 1m shares on USM

RAMUS HOLDINGS, distributor of ceramic tiles, self-assembly furniture and vinyl flooring, is coming to the Stock Exchange's Unlisted Securities Market by way of a placing of 1.08m shares, 25 per cent of those issued, at 100p per share.

Ramus Tile was founded in 1924 and until the late 1960s its principal activity was the manufacture of fireplaces. With the fall in demand for fireplaces, the group concentrated on the market for ceramic tiles which was growing rapidly because of improvements in the manufacturing process and in the quality of adhesives.

*Subsequently, it added furni*ture and vinyl flooring to the range of goods it distributes to 2,000 DIY retailers and builders' merchants.

In the year to June 1981 ceramic tiles accounted for 77 per cent of the group's £13m turnover, furniture 18 per cent, and vinyl flooring 5 per cent.

Group turnover has grown *steadily from £4.9m in the year* to June 1977. Pre-tax profit has risen from £215,000 in 1977 to £692,000 last year.

No profit or dividend forecasts are offered for the current year, but the directors say that the group has continued to prosper during the generally uncertain, even difficult, market conditions which have prevailed since the spring of 1980, and they are confident of a satisfactory outcome.

The shares in the placing are being sold by existing share*holders. The members of the* Ramus family wish to achieve some diversification of their resources.

The directors also believe that entry into the Unlisted Securities Market will bring commercial advantages to the group and will enable it to issue marketable securities should any suitable acquisition oppor*tunities arise.*

If the company's shares had been publicly held in the last financial year, the directors would have recomended a total *dividend of 5p, of which 1.5p* would have been an interim.

Certain directors, holding 49 per cent of the shares, have waived their entitlement to dividends in the two financial years ending on July 4 1983.

The placing has been made by Barclays Merchant Bank. Brokers are Grieveson Grant.

● comment

There does not seem to be much to choose between **Ramus Holdings** and United Ceramic Distributors, which came to the USM in June. Both companies have very strong recent profit records and both expect to continue to thrive despite the recession if only because the per-*capita use of ceramic tiles in* Britain has yet to catch up to that in most European countries. Ramus has been established longer and is the larger of the two companies with net tangible assets of £3m compared to UCD's £1m. At the placing price, Ramus has a fully taxed p/e of 13, compared to the 13.75 rating on UCD, so a quietly successful reception seems in store.

Phillips' chairman talks about Peake's departure

SHAREHOLDERS in **Phillips Patents**, the rubber components manufacturer for the footwear, clothing and toys industries, are given further details today sur*rounding the departure of Mr* Norman Peake, the former managing director of the group's subsidiary, Kenilworth Components.

Mr J. A. Rowland-Jones, Phillips' chairman, tells shareholders in his annual statement that "briefly the kindest interpretation of Mr Peake's activities *is that he 'confused' the finan*cial interests of Kenilworth with his own, and invariably it was the company that lost out."

As a result, Kenilworth brought an action against Peake and Reigle, a company controlled jointly by Mr Peake, for damages for breach of fiduciary duty and breach of contract.

The chairman says in the accounts that "after Kenilworth's counsel had explained in the High Court that Mr Peake's 'confusion' had cost Kenilworth some £49,000 and outlined the *evidence we were bringing to* back up this claim, Mr Peake's defending counsel . . . threw in the towel."

Shareholders are told that as a result of this action "Kenilworth was awarded £49,000 damages plus costs. We have received the £49,000 damages but not our costs. We are taking the same steps that proved so *successful in ensuring the* prompt payment of the £49,000."

The chairman adds: "The situation has been further clarified by the resignation of Mr J. Smith shortly after the High Court case, on grounds of health." Mr Smith is a director and general manager of Kenilworth, and is joint owner of Reigle with Mr Peake.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$400	5	8	—	—	9	46	$392.50
GOLD C	$425	—	—	57	16	9	34 A	"
GOLD C	$450	2	1	10	11.50	7	23	"
GOLD C	$500	—	—	—	—	1	12.50	"
GOLD C	$525	—	—	3	2	—	—	"
GOLD P	$400	2	14.50	5	22	—	—	"
GOLD P	$425	10	33	45	35	—	—	"
GOLD P	$450	—	—	15	57	—	—	"
		Oct.		Jan.		April		
ABN C	F.300	16	13	—	—	—	—	F.303
ABN C	F.320	38	4.50	6	8.50	—	—	"
AKZO C	F.20	14	5.70	—	—	—	—	F.25
AKZO C	F.22.50	16	4	—	—	—	—	"
AKZO C	F.25	110	2	—	—	—	—	"
AKZO C	F.27.50	54	1	—	—	—	—	"
AKZO P	F.25	100	0.80	—	—	—	—	"
HEIN C	F.45	—	—	—	—	6	5.20 B	F.46.50
HEIN C	F.50	21	2.50	10	3.20	—	—	"
HEIN P	F.45	5	2	—	—	—	—	"
HEIN P	F.55	—	—	20	9.50	—	—	"
HOOG C	F.20	—	—	28	1.80	—	—	F.18.80
HOOG C	F.22.50	6	0.40	—	—	—	—	"
KLM C	F.80	10	24	—	—	—	—	F.100
KLM C	F.100	17	11	10	16	—	—	"
KLM C	F.110	5	6.70	—	—	—	—	"
KLM C	F.120	52	3.70	—	—	—	—	"
KLM C	F.130	99	2.20	—	—	—	—	"
KLM C	F.140	32	1.20	10	4	—	—	"
KLM C	F.150	20	0.70 A	—	—	—	—	"
KLM P	F.80	65	2.20	—	—	—	—	"
KLM P	F.90	66	4.50	16	6.50	—	—	"
KLM P	F.100	15	8.40	—	—	—	—	"
KLM P	F.110	3	14	—	—	—	—	"
KLM P	F.120	—	—	5	24	—	—	"
NEDL C	F.130	9	17	—	—	—	—	F.143.90
NEDL C	F.140	50	11.50	6	14	3	18	"
NEDL C	F.150	92	5.20	32	9	—	—	"
NEDL P	F.150	5	1.20	—	—	—	—	"
NATN C	F.115	—	—	5	5.50	—	—	F.112.90
NATN C	F.120	15	2.70	—	—	—	—	"
PHIL C	F.20	125	4.70	—	—	—	—	F.23.90
PHIL C	F.22.50	190	2.80	10	3.60	4	4	"
PHIL C	F.25	189	1.40	31	2.30	45	3	"
PHIL P	F.27.50	90	0.50	110	1.20	—	—	"
PHIL P	F.22.50	66	0.70	—	—	—	—	"
PHIL C	F.25	12	1.70	129	2.40	—	—	"
POLA C	$25	20	3⅛	—	—	—	—	$27⅛
POLA C	$30	—	—	—	—	20	3	"
PEUG C	F.130	—	—	4	51	—	—	F.167
RD C	F.80	7	12.90	—	—	—	—	F.91.50
RD C	F.90	23	6.70	—	—	—	—	"
RD C	F.100	25	1.70 B	57	3.30	7	4.40	"
RD C	F.110	12	0.50	—	—	—	—	"
RD P	F.80	19	1.50	—	—	—	—	"
RD P	F.90	72	4.80	—	—	—	—	"
RD P	F.100	10	11 A	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 2471

A=Asked B=Bid C=Call P=Put

LONDON TRADED OPTIONS

August 4. Total Contracts 1503. Calls 1129. Puts 174.

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP (c)	280	46	—	56	—	68	2	316p
BP (c)	300	29	2	44	1	54	—	"
BP (c)	320	15	2	34	10	—	—	"
BP (c)	330	—	—	—	—	36	3	"
BP (c)	350	7	5	17	—	—	—	"
BP (p)	300	9	—	13	—	23	1	"
BP (p)	320	19	—	25	11	—	—	"
CU (c)	160	25	2	34	—	37	—	175p
CU (c)	180	15	2	21	3	24	3	"
CU (c)	200	7	—	10	1	15	—	"
Cons. Gld (c)	500	17	—	30	1	40	3	465p
Cons. Gld (c)	550	8	—	15	10	—	—	"
Court'lds (c)	60	6½	5	12½	—	15	—	64p
Court'lds (c)	70	3	10	5½	—	9½	—	"
Court'lds (c)	80	1	—	2½	6	—	—	"
GEC (c)	700	66	1	93	1	113	—	745p
GEC (c)	750	33	4	60	—	75	5	"
Gr'd Met. (c)	180	25	6	35	1	—	—	203p
Gr'd Met. (c)	200	14½	7	23	—	28	—	"
ICI (c)	260	21	—	36	10	46	—	278p
ICI (c)	280	12	5	24	20	34	—	"
ICI (p)	280	20	—	24	23	28	—	"
Land Sec. (c)	330	—	—	—	—	38	7	323p
Land Sec. (c)	356	14	1	24	—	—	—	"
Mks & Sp (c)	110	23	5	—	—	—	—	129p
Mks & Sp (c)	120	15½	—	21	—	25	6	"
Mks & Sp (c)	130	8	44	13½	—	20	—	"
Mks & Sp (c)	140	3	—	7	4	—	—	"
Shell (c)	330	68	8	74	—	—	—	388p
Shell (c)	360	40	—	52	1	64	—	"
Shell (c)	390	19	5	34	—	46	—	"
Shell (p)	360	9	50	14	—	20	—	"
Shell (p)	390	30	—	22	1	28	—	"
		August		November		February		
Barclays (c)	420	18	15	30	17	45	1	430p
Barclays (c)	460	3	28	13	1	30	1	"
Imperial (c)	60	4	35	6	5	7½	160	63p
Imperial (c)	70	½	—	2½	5	3½	141	"
Lasmo (c)	700	2	4	12	—	—	—	569p
Lonrho (c)	90	2	—	5½	25	9	—	90p
Lonrho (c)	100	½	—	2	18	5½	—	"
Lonrho (c)	110	½	—	1	7	—	—	"
Lonrho (p)	90	2½	6	6	57	7	12	"
P & O (c)	130	2½	—	5	9	10½	—	125p
Racal (c)	360	85	1	96	—	110	—	443p
Racal (c)	390	55	2	71	—	87	—	"
Racal (c)	420	25	4	48	17	66	—	"
Racal (c)	460	4	—	26	4	42	2	"
Racal (p)	420	5	—	15	13	19	—	"
RTZ (c)	460	117	15	132	5	145	—	573p
RTZ (c)	500	77	58	102	25	105	—	"
RTZ (c)	550	35	139	70	33	92	—	"
RTZ (c)	600	14	60	42	61	63	2	"

C=Call P=Put

MINING NEWS

U.S. boosts spending on Australia's minerals

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA has been singled out by U.S.-controlled companies as an area for heavy investment, the mineral and oil potential holding the basis for the country's attraction, reports our Sydney correspondent. But no increase is planned for the manufacturing industries.

The latest edition of the journal of the American Chamber of Commerce says that Australian offshoots with majority U.S. ownership plan to boost their capital spending by 26.4 per cent to $1.66bn (£923m) in 1981.

This is twice the growth rate for U.S. companies internationally and more than four times the capital spending boost planned in the Asia-Pacific region. The main increase in U.S. spending Down-Under will be in petroleum (63.1 per cent up to $522m) and mining and smelting (30.9 per cent to $515m).

That Australia stands out in the eyes of U.S. corporations can be seen by examining their investment plans for the entire Asia-Pacific region. There, capital spending will rise by only 6.8 per cent compared with more than 35 per cent in 1980.

As well as being a cut in real terms, the Asia-Pacific spending represents about half the average increase in U.S. corporate investment throughout the world.

Baguio hit by rising costs

DESPITE last year's high gold prices the Philippines producer, Baguio Gold Mining increased its 1980 net loss to Pesos 452,448 (£32,000) from P368,643 in 1979, reports Leo Gonzaga from Manila. Sales revenue last year rose to P139m from P100m.

The increased loss is attributed to continuing escalation in costs, notably of fuel and labour. Possibly in view of this and the fall in gold prices, the company has shifted its emphasis to copper mining at Santo Nino in Benguet Province.

Operating results for the first half of this year are not yet available. But in April Baguio produced 468,960 kilogrammes of copper contained in concentrates plus gold and silver by-products with a combined value of P10m.

In the same month of last year output included 575,139 kgs of copper plus gold and silver by-products worth P12.8m.

Underwriters take 28½% of SPO rights issue

OF THE 2,673,150 shares offered by SPO Minerals in the recent one-for-one rights issue at 30p, a total of 1,911,428 shares has been subscribed for by shareholders. This leaves the underwriters with the balance of 761,722 shares, or 28½ per cent of the issue. The shares were 32p yesterday.

SPO was established last year by the U.S. entrepreneur Mr Robert L. Sprinkel to produce barytes (industrial mud used in drilling), lead concentrates and fluorspar in Derbyshire.

A total of 1.5m shares of 10p were placed with institutions and individual investors at 80p and dealings began in July 1980. In January of this year the company announced that it was to raise £561,361 by a rights issue of one-for-four at 105p for the purchase of a UK coal-mining operation.

The issue was a success with a 98.85 per cent acceptance and when the result was announced in February the shares were standing at 139p. But the company's fortunes later took a turn for the worse.

Technical problems and changes in market conditions seriously affected the cash flow projections for the main operations at the Golconda barytes processing plant. As a result a further fund-raising package of £1.2m was announced in June of which the latest rights issue was a part.

The company stated that it was confident that the funds to be raised would be sufficient to meet both additional capital expenditures and working capital requirements to concentrate the activities of Golconda on the production of barytes and of a lead concentrate readily saleable in the UK.

Last month, however, the chances of a good response to the pending rights issue were dampened by the news that SPO had suffered a trading loss of £369,000 for the year to March 31. However, Mr Sprinkel is confident that the solution has been found to the Golconda problems and the colliery venture has been doing well.

Sterling Credit makes £0.3m

IN THE half year to June 30 1981 Sterling Credit Group made taxable profits of £330,000. This compares with a pre-tax loss of £1.48m in the nine months to the end of 1980. Turnover was £1.54m as against £2.24m for the previous period.

With Winston Estates now a part of Sterling Credit a pro-forma profit and loss statement consolidating the companies' results has been drawn up showing taxable profits of £656,000, and turnover of £1.85m for the six months to the end of June.

The Sterling directors say that following the extensive reorganisation during the last eight months it is difficult to forecast the results for 1981. However they say the underlying trend is reassuring and they are confident the results will reflect the changes that have taken place.

Half-year earnings per 10p share of this instalment credit, banking services and insurance broking group are stated at 0.48p (10.55p loss) or at 0.35p fully diluted.

There was a tax charge of £37,000 (£5,000) and a credit for minorities of £3,000 (£11,000). After an extraordinary credit of £120,000 (£284,000 debit) arising from the early repayment of a subordinated loan, goodwill written-off of £120,000 (£1.19m) and same-again preference dividends of £87,000 the retained profit emerged at £209,000 (£2.77m loss).

Winston Estates which is engaged in property development and investment made taxable profits of £139,634 (£179,993) together with a surplus on the sale of rental property of £197,629 (£239,108) in the six months under review.

The directors say income derived from rental properties continued to show satisfactory progress. As a result of capital expenditure on the development of Oldham central trading park there was a reduction in the interest earned so that the overall profit for period was less than for some six months in 1980. The park is now producing rental income in respect of about 90 per cent of the lettable space. This results from arrangements made with local authority to implement its guarantee agreement.

During the six month period Winston Estates completed sales of residential property in Kentish Town and the small shop property in Putney.

After tax of £127,523 (£151,554) and a transfer of £141,438 (£180,167) to capital reserves Winston's profit available for distribution came out at £68,302 (£87,380).

Amatil to discontinue London listing

Shareholders in Amatil, the Australian manufacturer and distributor of tobacco and food products, learnt yesterday that the company planned to discontinue its listing on the London Stock Exchange.

Amatil said the move reflected the fact that "less than 5 per cent of the company's shareholders have their holdings on the English Register and because of the limited amount of trading and the increasing cost of maintaining that register."

The English register will be closed at 9.30 am on September 9. The shareholders then on the London register will be moved to the company's principal register in Melbourne.

Dividends, less appropriate Australian withholding tax, will then be remitted in Australian currency to each non-resident shareholder.

Vinten's new strategies for profitable growth

THE Vinten Group has developed business strategies that will give profitable growth in areas which utilise existing strengths and resources, says Mr C. M. Brown, the chairman, in his annual statement.

Such new business opportunities will be characterised by a systems emphasis, thereby providing the required high level of added value and consequent above average return on assets employed.

Vinten manufactures photographic, film and television equipment and cameras.

He says the group is developing its in-house resources of both computer hardware design and programme software. In order to speed its entry into this area, the group has under investigation the acquisition of an existing software house. He says it is felt that the group should become more involved in the U.S. He says success in that country is essential to its TV business.

As known, pre-tax profits were a record £2.02m (£1.37m) in the year to March 31 1981. At the year-end, shareholders' funds stood at £5.84m (£4.73m). Fixed assets were £2.1m (£1.74m) and current assets were given as £7.39m (£5.26m). Current liabilities were £3.63m (£2.25m).

YEARLINGS MOVE UP TO 14½%

The interest rate for this week's issue of local authority bonds is 14½ per cent, up a quarter of a percentage point from last week. The bonds are issued at par and are redeemable on August 11, 1982.

A full list of issues will be published in tomorrow's edition.

BIDS AND DEALS

Taurus Vehicle Leasing in £4.5m bid for Tricoville

AN AGREED bid worth £4.52m has been made for Tricoville, the fashion wear designer and manufacturer, by Taurus Vehicle Leasing, a leasing and motor vehicle hiring group which runs the British School of Motoring. It is owned by the Tricoville chairman Mr David Jacobs and his family.

Holders of 60.39 per cent of the Tricoville ordinary shares agreed to sell their stock yesterday, to TVL at 92p each. The remaining Tricoville shareholders are being offered 107p cash for ordinary and £1 each for the preference stock.

The shares already committed to TVL come from Mr Jacobs and his wife (15.66 per cent), from trustees of a settlement—the beneficiaries of which are members of the family of Mr and Mrs Jacobs—and from Mr Edward Kessly (30 per cent), the managing director of Tricoville.

The independent directors intend to accept the offer in respect of 1.9 per cent of the ordinary shares held by them.

The shares of the company were suspended at the beginning of July on the announcement that talks were taking place which could lead to an offer. At the suspension price of 84.5p the company was valued at £3.4m. Dealings are expected to be restored today.

The terms of the agreement for the committed shares are 92p cash or TVL preference shares for every Tricoville share. The number and terms of these are to be set so as to produce on a placing 92p cash.

The consideration of the committed shares owned by Mr and Mrs Jacobs will be satisfied by the allotment of £1 preference shares of TVL. Within 60 days after the bid agreement is completed these will be placed to realise 92p per share.

The consideration for the balance of the committed shares together with the net proceeds of the placing will be loaned to TVL in exchange for an issue of debentures which will be repayable over 27 months in equal monthly instalments with interest at 6 per cent.

TVL has recently acquired a number of fast food interests. Tricoville's principal interests are in the design, production and marketing of ladies' fashion wear and have been expanded during 1980 to include dry cleaning, laundering and shoe repairing under the Jeeves of Belgravia name.

Tricoville lifted profits from £892,000 to £913,000 in the year to July 19 1980, on a turnover of £10.1m (£9.06m). Current year profits ahead of last have been forecast.

Tricoville has been advised by Arbuthnot Latham and Co and TVL by Singer and Friedlander.

Thos. W. Ward back in market for Tunnel shares

Thos. W. Ward, cement manufacturer, which failed to take over its rival Tunnel Holdings last June, has been back in the market buying more Tunnel shares.

On July 24 Ward bought another 100,000 Tunnel "B" shares, bringing its total holding of "B" shares to 3,959,362. Ward holds all the company's "C" shares.

After this purchase, Ward controls 42.25 per cent of the company's voting shares. Under the terms of the City Code, Ward is entitled to buy a further 2 per cent of Tunnel during the year after its offer lapsed. This means Ward may still purchase a further 420,000 "B" shares.

S. G. Warburg, which is advising Ward, said "the share purchase was a one-off transaction at a price which seemed reasonable." Ward was not currently in the market for more shares, according to the bank.

On July 24 Tunnel "B" shares opened at 416p, 19p lower than Ward's offer. By the next morning the shares had risen to 422p and they have continued to move ahead. Yesterday, Tunnel "B" shares closed up 5p on the day at 450p, while Ward hit a 1981 peak of 140p.

Meanwhile, Rio Tinto Zinc, which holds about 8.7 per cent of the voting shares, repeated its previous statement that its holding in Tunnel was regarded as "a good investment."

Hill Samuel shares placed

Banque Arabe et Internationale d'Investissement (BAII), the Paris-based consortium bank which took a stake in Hill Samuel in January 1978, has converted its £4m 7½ per cent Hill Samuel loan stock and placed the 3.33m shares in the market.

They were placed among institutional investors by Hoare Govett, at a price of around 161.5p per share. BAII made a profit of £1.33m on the transaction.

If BAII had retained the shares, it would have become the biggest shareholder in the London merchant bank — the Samuel family is the largest, with just over 6 per cent.

BAII intends to retain its existing holding of 3.32m shares in the group giving it 4.85 per cent of the enlarged equity. First City Bancorp of Texas, which became involved with Hill Samuel at the same time as BAII, retains its 2m share stake.

BAII and Hill Samuel intend to continue to work together and M Lamarche, BAII's chairman and chief executive, will remain on the Hill Samuel board.

CHARLES HILL

The offer made on behalf of a consortium headed by Mr A. M. Milne and others to acquire Charles Hill of Bristol has closed.

Acceptances have been received in respect of 915,286 shares (78.2 per cent).

RUBEROID/CATALIN

Ruberoid announces that it has agreed to purchase a further 278,000 Catalin shares at 70p (the offer price) bringing holding to 57.18 per cent.

The vendors of these additional shares are selling them following the recommendation of Ruberoid's offer by the Catalin board supported by an opinion from Barclays Merchant Bank.

The offer will, therefore, be unconditional in all respects and the formal offer documents will be issued in the course of the next few days.

Clive Discount pulls out of investment management

BY TIM DICKSON

Clive Discount Holdings, a publicly quoted discount house, announced yesterday that it is pulling out of investment management, an activity carried on by its subsidiary Clive Investments and Clive Investments (Jersey).

The decision means that Clive will no longer manage fixed-interest funds for institutional and private clients on its two Channel Island gilt funds Clive Gilt Fund (Channel Islands) and Clive Hambro Gilt Growth Fund.

The move, however, "will not significantly affect the profitability of the Clive group," the company said.

Giving the reasons for withdrawal, Mr Nicholas Chamberlen, Clive's chairman, said yesterday that the "volume of business was no large enough to justify the costs involved. These are going up faster than the income we receive."

Much of Clive's investment management has been on an advisory basis and is therefore difficult to quantify, but funds managed on a discretionary basis for private and corporate clients amount to around £40m.

Negotiations are taking place with Allen Harvey and Ross Investment Management (C.I.) with a view to AHR taking over the two offshore compaines. Between them these comprise funds of around £4.5m and the consideration is understood to be around 2 per cent of assets.

Clive Discount is currently recovering from its disastrous experiences in the gilt edged market in 1979, after which it was forced to raise £2m of new capital last year through a two for five rights issue. A £4.16m disclosed loss in 1979/80, however, was with th ehelp of the new money turne dinto a £1.03m profit last year.

The performance of the offshore gilt funds, which had been better than most of their rivals in 1978 and 1979, proved disappointing during 1980.

Mr Chamberlen said yesterday that Clive had decided to concentrate its expertise on the group's activities as principals in the money markets. "We started up the investment management side about 9 years ago but the business started to dwindle because of the sort of clients that we had.

"We only entered the offshore fund arena about three to four years ago at a time when many others were coming into the field. There is only a limited amount of money to go round and with authorised unit trusts recently providing fixed interest management we feel the growth is no longer there."

Clive's withdrawal from investment management will affect a total of nine people.

Brigray meeting told of £1.3m deficiency

AN ESTIMATED total deficiency to creditors and shareholders of £1.3m was disclosed at a meeting in London yesterday of Brigray Group, the holding company of a group of clothing manufacturers whose Stock Exchange quotation was suspended last November.

The meeting was told that no statement of affairs had been filed, but there were estimated unsecured liabilities of £631,011 and preferential debts of £156,719. The issued capital totalled £541,881. Assets were estimated at £7,350.

The official receiver reported that the company was formed in 1929 and once had 10 subsidiaries. Directors at the date of the winding up order were said to be Mr Thomas George Wyner, Mr J. Corrie Thomas, Mr Theodore Dekeyser, Mr Michael Bancroft and Mr Michael Binns.

Mr Wyner had said that when he joined the company in 1975 it was experiencing extreme cash flow problems.

After 1976 it received temporary employment subsidies from the Government, totalling £260,000, which prevented the closure of clothing factories in Wales.

Later the Welsh Development Board agreed to loan the company £160,000.

The receiver said the company later faced further difficult trading conditions and increased competition. It also lost its main customer, a chain store, and it was difficult to get profitable replacement orders. Trading eventually ceased last November.

The matter was left in the hands of the official receiver as liquidator.

£286,000 losses at Centreway Trust

AFTER reporting record pre-tax profits of £476,410 in the previous year, Centreway Trust suffered losses of £286,000 in the year to March 31 1981. Losses of £151,000 were incurred in the aluminium pressure die castings section, and the associate company, Centreway Limited, also incurred a loss.

Pre-tax profits from financial services and rental income was down from £68,000 to £53,000. Group sales dipped from £4.49m to £3.43m.

There was a loss per 50p share of 35.83p against earnings of 42.87p.

The final dividend is severely cut from 6p net to 1p — no interim was paid against 2p last year.

Mr A. J. Cross, the chairman, says the prospects for the coming year are difficult to assess at present. They depend critically on an improved result from Centreway Limited, which he says can be hoped for following the group increasing its interest from 29.62 per cent to 75.28 per cent since the year end, and an improvement in the group's two engineering subsidiaries, which is more difficult to appraise.

In the longer term, he says, the directors intend to concentrate the company's involvement in industrial subsidiaries through Centreway Limited and to develop it as a financial holding company with interests in financial services.

However, given today's economic conditions, the effecting of this change of direction may take several years to carry out.

Commenting on the cut in the dividend, Mr Cross says that in the circumstances it is unavoidable and a prime objective of the directors will be to restore it to last year's level when circumstances permit.

During the year the company had an operating loss of £128,390 against profits of £154,800.

At the year end net tangible assets per share were lower at 187.4p against 242.4p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indicators are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Alcan Aluminium (UK), Ault and Wiborg, J. Bibby, Foreign and Colonial Investment Trust, Glynwed, Rentokil, R. Smallshaw (Knitwear).

Finals—City of London Brewery and Investment Trust, Ewart New Northern, Garford-Lilley Industries, Hales Properties, Hallite.

Du Pont clears anti-trust hurdle in Conoco race

BY PAUL BETTS IN NEW YORK

DU PONT was given the green light by the U.S. Justice Department for its $7.5bn bid for Conoco, clearing the way for a possible victory by the leading U.S. chemicals company in the giant takeover battle for Conoco in the next 24 hours.

The chemicals company said yesterday it had reached an agreement with Monsanto which eliminated the Justice Department's only anti-trust concern in Du Pont's proposed merger with Conoco, the country's ninth largest oil company and the second biggest coal producer in the U.S.

The Justice Department had expressed concern on a joint petrochemical venture in Texas between Conoco and Monsanto. *But Du Pont has now agreed to* buy Monsanto's share of the joint petrochemical plant for an undisclosed sum.

Du Pont is now in a position to start paying cash for shares tendered to it as from midnight last night, the scheduled expiry date of its offer.

Du Pont is offering $95 a share for 45 per cent of Conoco's outstanding stock and 1.7 Du Pont shares for each remaining Conoco share. It also has an option to buy 15.9m unissued Conoco shares.

In an attempt to prevent Du Pont from beginning to buy Conoco shares, Mobil, the second largest U.S. oil company, yesterday asked the Securities and Exchange Commission to postpone Du Pont's purchase and to extend the withdrawal date of the chemicals company offer for several days. Mobil said this would enable Conoco shareholders to "properly evaluate" the relative values *of the Du Pont and Mobil* offers.

Mobil on Monday substantially raised its offer from $8.2bn to $8.6bn. The company increased the cash portion of its offer to $115 a share for 51 per cent of Conoco stock while continuing to offer Mobil securities with a market value of $85 a share for the rest of Conoco.

But Mobil is still awaiting Justice Department clearance. The company said yesterday it submitted to the anti-trust authorities last Friday additional information requested of it on the possible anti-trust issues raised by a Mobil-Conoco merger.

In a further attempt to delay Du Pont's purchase of Conoco shares, Mobil also filed a law suit yesterday in a New York court requesting Du Pont be enjoined from executing an option to buy the 15.9m unissued Conoco shares.

Du Pont said yesterday that at the end of business on Monday it had been tendered about 49m Conoco shares or 57 per cent of total outstanding Conoco stock.

Phillips arranges $1bn credit

BY OUR NEW YORK STAFF

PHILLIPS PETROLEUM, the 10th largest U.S. oil company, is the latest of the oil majors to arrange a substantial new credit agreement with U.S. and international banks.

Phillips, which earned $1.1bn on sales of $13.4bn last year, has negotiated a $1bn revolving credit with a group led by Citicorp and Morgan Guaranty

This brings the total of similar borrowings negotiated in the past two weeks to more than $40bn.

Although Phillips said the credit line would be used to finance current business operations, most of these borrowings are to help oil companies in the unprecedented takeover spree in the U.S. oil and coal industries.

While all eyes continue to be focused on the gigantic takeover battle for Conoco, the country's ninth largest oil company and the second largest coal producer in the U.S., bankers have indicated that a number of oil companies are waiting on the sidelines to see how the U.S. Justice Department reacts to the current merger wave.

Although the department has already cleared Du Pont's $7.5bn bid to take over Conoco, it has yet to pronounce itself on Mobil's rival bid.

Should the anti-trust authorities give the green light to Mobil, bankers and oil industry analysts expect other companies to start bidding for oil companies.

One unidentified oil company is understood to have arranged a substantial credit line by negotiating a series of separate loans with banks. This reduces the company's cost of new loans while helping to keep them out of the public eye. In turn, this suggests the unidentified company is considering making a takeover bid as companies which are on the defensive normally publicise their new borrowings in an attempt to discourage hostile bidders.

Gulf Resources pushed into the red

BY OUR FINANCIAL STAFF

THE COLLAPSE of silver prices, together with "unsatisfactory" lead and zinc prices, resulted in a loss in the second quarter at Gulf Resources and Chemical, the diversified mining and resources company.

At the six-month stage, the Idaho-based group, which is not related to Gulf Oil, is showing a loss of $4.1m or 50 cents a share diluted, compared with a net profit of $14.8m or $1.43 a share last time. Revenues have edged up from $304.3m to $315.1m.

The board comments that the major negative factor was the loss incurred by Bunker Hill, Gulf's base and precious metals subsidiary.

The second quarter brought a loss of $4.4m or 51 cents diluted, against a profit of $3.1m or 31 cents last year. Revenues of $160.9m compare with $151.8m.

TDBH increases first-half earnings

By Our Banking Correspondent

TRADE DEVELOPMENT Bank Holdings (TDBH), the Luxembourg-based bank holding company, increased its earnings in the first six months of 1981 by 10.3 per cent to $36.3m.

The group says that its performance was "particularly favourable" when compared with the same period of last year when results were inflated by the "unusual precious metal trading profits" of its 61 per cent owned U.S. subsidiary, Republic New York.

Republic reported a 3.7 per cent increase in net earnings to $30.7m in the first half of this year. The shareholders funds of Republic's main operating subsidiary, Republic National Bank of New York, have increased by 50 cent in the past year, to $481m.

TDBH's total assets have grown by 16.8 per cent to $10.36bn and capital and loan funds employed have risen by 38 per cent to $887m.

The group says that despite generally low margins, net interest income improved. New offices were opened in Athens, Monte Carlo and London's West End.

$1bn bank loan for Brascade

By Our Financial Staff

BRASCADE RESOURCES, jointly owned by Brascan and Caisse de Depot et Placement du Quebec, said it has arranged a $1bn credit facility to facilitate its proposed offer for up to 20m common shares and up to 1.8m convertible preferred shares of Noranda Mines.

Brascade Resources holds 24.4m or 28 per cent of Noranda's common shares and 157,475 convertible preferred shares of Noranda. Brascade Resources plans to increase its holding to 39.2 per cent of both Noranda's common *and convertible preferred* shares on a fully diluted basis.

The credit facility was extended to Brascade Resources by eight Canadian chartered banks led by Bank of Montreal.

High interest rates have often meant bigger profits for bankers—but this is not always the case. **David Lascelles** in New York reports

U.S. banks feel margins pressure

NOT SURPRISINGLY perhaps, record high U.S. interest rates have been putting an unpleasant squeeze on U.S. bank earnings this summer, and the recent spate of mid-year results showed just how bad it has become. As a token of this, bank shares have fizzled on the stock market in the last few weeks, after sparkling in the spring.

Not one of the large New York banks managed to increase its operating earnings in the *second quarter, though some,* like Chemical Bank and J. P. Morgan (parent of Morgan Guaranty) made some well-timed property sales which helped the bottom line. All but one of the big California banks, including Bank of America, were down quite sharply too. In Chicago, the trend was generally downwards, though First Chicago, which had a bad year last year, managed an improvement in year-on-year comparisons.

These comparisons were a little misleading for the big "money centre" banks. The second quarter of 1980 was an exceptionally good one because it coincided with the dramatic decline in interest rates that came when the Federal Reserve relaxed its crushing credit squeze in late spring. The banks had not been expected to do any better this time round—though they managed to improve on the first quarter, which was also a period of tremendous upheaval.

Mr Roger Anderson, chairman of Continental Illinois, Chicago's biggest bank, felt moved to comment: "The lower level or modestly higher level of earnings currently being reported by many banks *should* help dispel the erroneous image that banks benefit from high interest rates."

For some, it brought losses on bond trading. At Morgan, trading account profits and commissions were $3.5m, a mere fraction of the $28.4m earned in the same period last year.

But the biggest impact was on lending margins: higher rates pushed up funding costs faster than the banks were able to recoup them by increasing the prime rate, even though it soared to over 20 per cent during the quarter. The

U.S. BANK EARNINGS

	Second quarter 1981 $m*	% change from 1980
Security Pacific	50.8	+17
Chemical Bank	53.5	+15
First Chicago	27.5	+10
Chase Manhattan	100.6	−2
Manufacturers Hanover	55.0	−2
J. P. Morgan	94.6	−7
Continental Illinois	58.1	−11
Bankers Trust	42.3	−28
Bank of America	122.5	−29
Citicorp	106	−40

* Earnings are before securities transactions

"spread" between the prime and certificates of deposit — which are a key source of bank funds—shrank from its normal 2-3 per cent to a mere 0.5 per cent in May.

The problem was particularly acute for the country's two largest banks, Citicorp and Bank of America (B of A) which still have a large volume of fixed rate assets on their books whose yields do not rise with interest rates in general. At B of A, most of these problem assets are fixed rate mortgages: at Citibank, there are mortgages as well as other types of consumer loans.

Net interest revenue, which essentially reflects the profitability of the bank's lending activities, was down 18 per cent at Citibank on a year-to-year basis. But this gives an unfair picture of the underlying trend, which is on the upswing. After fighting successfully last year to get *New York state to remove* interest rate ceilings on consumer loans, Citibank has been able to increase the return on its consumer lending activity quite sharply. It has also taken steps to reduce its sensitivity to fluctuating interest rates. All this helped it report a 15 per *cent* increase in net interest revenue from the first to the second quarter of this year.

B of A is also struggling to reshape its balance sheet, but it has been less lucky than Citibank in winning a more congenial operating climate for itself in California, where mortgage rules are strongly tilted in favour of the borrower.

But the problem was not confined to retail-oriented banks. Even Morgan, which concentrates almost exclusively on commercial banking, reported a lower net yield on interest earnings assets, from 2.72 per cent to 2.30 per cent owing to higher funding costs.

Security Pacific, the big Californian bank that bucked the trend, managed to raise net interest income by 20 per cent, mainly by increasing its assets and backing them with some judicious funding.

The striking point about U.S. bank lending this year is the ready availability of funds despite record high interest rates: the much-feared credit crunch has not struck. The recent multibillion-dollar financings put together by contestants in the Conoco takeover battle are dramatic evidence of this: more than $40bn in takeover "war chests" was arranged in the course of only a fortnight. Banks have been able to garner funds in the money markets, thanks largely to the investor appeal of high short-term interest rates. A big source of supply has been the money market mutual funds

What has happened, effectively, is that high interest rates have suffocated the long-term capital markets and shifted financing into the short *end,* particularly into bank lending. The banks have thus enjoyed unprecedented loan demand, but at a time when interest rate volatility made it hard for them to profit from it as much as they would have liked.

The big Conoco-type credit lines should turn out to be highly profitable, though, because they will earn the banks big commitment fees simply for setting the lines up.

Fee income is particularly welcome because it is insulated from the ups and downs of the markets. Most banks have made conscious efforts to develop this side of their business, which includes merchant banking, service charges, trust and fiduciary services, and commissions. At Chase—a bank that is trying to reduce its exposure to interest rate changes — non-interest related operating income was up 22 per cent in the first half of this year against a rise of only 1 per cent in net interest income. Chemical Bank's non-interest income was up 70 per cent, several times the increase in profits from borrowing and lending.

Just as high interest rates have squeezed profits, the outlook for relief depends on a drop in rates. While Wall Street generally expects some of the pressure in the credit markets to ease in the months ahead, numerous false dawns have made analysts super-cautious.

There will be an extra squeeze *on bank earnings, starting this* month, with the further deregulation of interest rates. Starting on August 1, the ceilings on the amount of interest banks may pay on many types of retail deposit were lifted. Although this will enable banks to compete more aggressively for deposits, it will also raise their average cost of funds.

Eurobond prices continue to fall sharply

By Our Euromarkets Staff

FIXED INTEREST Eurobonds were again marked down sharply yesterday, with losses of about ¾ of a point on continued nervousness about this *week's* large U.S. Treasury financing operation in New York.

A further rise in Eurodollar deposit rates—the six-months' dollar rate rose ⅜ of a point to 19¼—added to the gloom, although the market stabilised in the afternoon after the New York bond market refused to extend Monday's heavy losses.

Prices have fallen so markedly in recent days that the market could rebound at the first sign of any good news and this is adding to dealer nervousness.

But the degree to which the bond market is currently stuck in the rut of high interest rates is shown by the fate of the warrants attached to the GTE Finance 13⅞ per cent bond due 1988. The warrants, which expire on August 15, allow bondholders to buy into a 13⅞ *per cent five-year issue*

This may have seemed an attractive opportunity when the GTE issue was launched in January but the yield is unappealing now. As a result GTE plans to raise the coupon on the five-year issue. The new rate is expected to be about 15½ to 16 per cent and will be set on Monday by lead managers Blyth Eastman Paine Webber.

In Swiss franc private placements, a SwFr 20m ($9.3m) five-year convertible for Osaka Oxygen Industries of Japan was priced yesterday with a coupon of 4¾ per cent and a conversion premium of just over 2 per cent through lead manager Union Bank of Switzerland.

Natomas, the U.S. oil company, has launched SwFr 50m of five-year notes carrying a coupon of 7¾ per cent. Swiss Bank Corporation is the lead manager.

Turnover was thin in the German and Swiss secondary markets which both showed declines of about ¼ of a point. Dealers in Switzerland, however, noted some demand for recent issues.

ACF improves bid for Ladish

By Our Financial Staff

ACF INDUSTRIES, the diversified U.S. engineering group serving railroad, energy, automotive and other industrial markets, has increased its take-over bid for Ladish, the privately-owned Wisconsin-based forgings, pumps and tools maker.

Terms are $3,000 cash or 64 ACF shares for each Ladish share, valuing the Wisconsin company at $325.8m. The offer is subject to 48,000 or 44.2 per *cent of the Ladish shares being* converted for cash.

This tops a $221m bid in stock made for Ladish by Armco, the large U.S. steel group. Armco, whose offer was approved by Ladish, said the Wisconsin company offered outstanding technology and immediate growth opportunities.

Mr John Burdillt, ACF's chairman, has called for a meeting with the Ladish directors.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday August 13. Closing prices on August 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Am. Air. 15¼ 86 (WW)	55	*96¼	96¾	0	−0⅛	16.30
Amoco 13¾ 88	75	89½	89⅞	−0½	−0⅞	15.87
CIBC 14½ 84	185	95¾	96¼	−0½	−1⅜	16.36
CIBC 15⅛ 86	75	97⅞	98⅜	−0⅝	−1½	15.80
CNA 15¾ 96	75	94⅜	94⅞	−0¾	−1	16.20
CNE 12¾ 91	100	83⅛	83⅝	−1⅛	−1⅞	16.22
Citicorp Int Fin. 15 86	150	95¾	96¼	−0½	−1⅞	16.23
Citicorp O/S 15½ 84	175	98⅛	98⅜	−0⅝	−1⅜	16.13
Dupont Canada 13½ 91	65	89¾	90¼	−1⅛	−1⅛	15.53
EEC 14¾ 93	65	93⅝	94⅛	−0⅝	−1	15.89
EIB 12¾ 89	75	85¼	85¾	−0½	−1¼	16.13
Eldorado 13¾ 86	50	90⅝	91⅛	−0⅞	−1⅛	16.13
Elec de France 13 88	125	87⅝	88⅛	−0½	−1⅛	16.10
Export Dv. Cpn. 9½ 86	150	80	80½	−0⅝	−0½	15.98
Fed. Bs. D. 12¾ 85 (N)	50	88	88½	−0⅝	−1⅜	16.20
Fed. Bs. D. 15¾ 84 (J)	40	99¼	99¾	−0¾	−0¾	16.15
Fin. Exp. Credit 10½ 85	50	83⅜	83⅞	−0¼	−0⅝	16.49
Finland, Rep. of 9½ 86	100	77¾	78¼	−1½	−1½	16.64
Ford Cr. O/S Fin. 16 84	150	99	99½	−0⅛	−0⅞	16.23
Ford Cr. O/S Fin. 16 85	150	96½	97	−0⅝	−0⅞	17.17
Gaz de France 13½ 86	80	91¼	91¾	−0⅝	−1⅞	16.25
GMAC O/S Fin. 12⅞ 88	100	87⅞	88⅛	−0⅜	−0⅜	15.95
GMAC O/S Fin. 14⅜ 87	100	94¼	94¾	−0½	−0⅞	16.24
Gen. Mts. O/S 11¾ 87	100	84	84½	−0⅞	−1¼	15.89
Genstar 14¾ 91	50	95⅝	96⅛	−0⅛	−1⅞	16.56
GTE Fin. 13⅞ 86 (WW)	50	†96	96½	−0½	+1	14.89
Hiram Walker 16 88	50	101⅞	102⅜	−0⅝	−0⅜	15.30
IBM Wld. Trade 12½ 88	200	91⅞	92¼	−1⅛	−1⅛	14.43
IBM Wld. Trade 14⅜ 84	100	100⅜	100⅞	−0⅝	−0⅜	14.42
Nat. Bk. Canada 15¼ 84	40	97⅜	97⅞	−0½	−1¼	16.[illegible]
Newfoundland 13½ 90	60	88	88½	−1⅛	−1⅞	16.07
Nova Scotia 15 91	75	95⅜	95⅝	−0½	−1⅛	15.94
Ontario Hydro 13½ 91	100	89⅛	89⅝	−1½	−1⅜	15.67
Queb. Hy. 13 91 (WW)	100	83⅛	83⅞	−1	−1⅜	16.47
Royal Bk. Canada 14 86	100	95¾	96¼	−0½	−1	15.19
SNCF 13 91	75	87⅜	87⅞	−0¼	−1⅞	15.52
Sth. California 14 87	50	94⅛	94⅝	−0⅝	−1	15.50
Sth. California 14¾ 88	50	96⅛	96⅝	−0⅞	−1	15.59
Sven Handlsbk. 13¾ 88	45	89⅞	90⅜	−0¾	−1	16.22
Swed. Ex. Credit 13 86	75	89	89½	−0½	−0⅜	16.52
Swed Ex. Cred. 15¾ 86	50	98⅛	98⅞	−0⅝	−0⅜	16.13
Toronto-Dom. Bk. 14 84	50	94¾	95¼	−0⅜	−1	16.33
Tribune O/S Fin. 14 86	50	92⅜	92⅞	−0¼	−1⅛	16.33
Wells Fargo Int. 15½ 84	50	99¼	99¾	−0½	−0⅝	15.67
World Bank 10½ 87	300	79½	80	−0⅝	−0⅜	15.77
World Bank 14⅜ 86	500	94⅛	94⅝	−0⅝	−1⅛	16.09

Average price changes .. On day −0⅝ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bank 10 91	100	97⅝	98⅛	0	+0¼	10.38
Austria, Rep. of 8¾ 92	150	87⅜	87⅞	0	−0¼	10.17
CECA 7⅞ 92	150	85¾	86½	−0¼	−0½	10.00
CECA 10 91	120	98⅞	99½	−0⅜	−0⅜	10.13
CII-Honeywell 8⅜ 90	125	87¼	88	−0⅜	−0⅛	10.57
Council of Europe 10 91	100	99⅝	100⅛	+0⅛	+0⅜	10.02
EIB 8½ 90	200	88⅝	89⅜	+0⅛	−0½	10.40
EIB 10½ 91	200	96⅞	97⅞	−0⅛	−1	10.56
ESCOM 9¼ 87	100	90⅜	91⅛	+0⅛	0	11.38
Finland, Rep. of 10 89	100	96⅝	97⅜	+0⅛	0	10.57
Iberduero SA 9 90	100	90⅞	91⅛	0	+1⅞	10.62
Ind. Bk. Finland 8½ 90	80	88⅜	89½	0	0	10.37
Int.-Am. Dv. Bk. 10 91	100	97⅞	98⅜	−0½	−0⅜	10.32
Japan Air Lines 8⅞ 87	100	91⅞	92⅜	+0⅛	−0⅛	9.88
Japan Dev. Bk. 7⅞ 87	100	88¾	89⅛	−0⅞	0	10.19
Kobe City of 8 90	100	88⅝	89⅜	−0⅛	0	9.91
Midland Int. Fin. 8½ 90	180	89⅞	90⅜	+0⅛	−0¼	10.[illegible]
Nuclebras 9¾ 88	100	87⅜	87⅞	−0⅞	−1½	12.[illegible]
OKB 8½ 90	150	85⅝	86⅝	0	−1⅛	10.[illegible]
Oslo, City of 8½ 90	80	92½	93¼	−0⅛	+0⅛	10.[illegible]
Venezuela, R. of 9¾ 90	150	93¾	94⅜	0	−0¼	10.[illegible]
World Bank 8 90	700	85½	85⅞	−0½	−0⅜	10.[illegible]
World Bank 10 86	150	100⅜	100⅞	0	+0⅝	9.[illegible]

Average price changes... On day −0¼ on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Aeroport Paris 6½ 91	60	†92	93	−0⅝	−2⅞	7.[illegible]
BFCE 6½ 91	100	91½	91¾	−1⅛	−1⅞	7.[illegible]
Bayer Int. Fin. 5¾ 92	100	91	91¾	−0½	−1⅞	6.[illegible]
Bergen, City of 6¾ 91	40	99⅞	100	+0⅛	0	6.[illegible]
Bhrmn.-Tetterode 7 90	40	98⅛	98½	−0⅜	−0¾	7.[illegible]
CECA 6¾ 91	80	97½	97¾	−0¼	−0¼	7.[illegible]
Denmark 5¾ 90	80	87	87¼	−0½	−1⅛	7.[illegible]
Dome Petroleum 5¾ 91	100	93⅛	93½	−0½	−0⅜	6.[illegible]
Elet. de France 5¾ 90	100	88	89	+0⅛	−1	6.[illegible]
Eurofima 5¾ 92	80	98½	99	0	0	5.[illegible]
F. G. H. Hypo. Bk 6 90	50	91½	91⅞	−0¼	−0½	7.[illegible]
Finland, Rep. of 5⅞ 90	80	†86½	87	+0⅛	−0⅛	7.[illegible]
Franc. Petroles 6½ 91	80	93	93½	0	+0⅛	7.[illegible]
Genstar 7 91	100	102⅛	102⅝	−0¼	−0½	6.[illegible]
Int.-Amer. Dv. Bk. 7 91	100	98⅛	98⅝	−0⅜	−0¼	7.[illegible]
Japan Dev. Bank 5¾ 90	100	†94	95	+0⅛	+0⅛	6.[illegible]
Mt Blanc Tunnel 5½ 90	60	†87	87½	+0⅛	−0⅜	7.[illegible]
Nowag 5¾ 90	80	†91	91½	+0⅛	−0½	7.[illegible]
OKB 7 93	100	99¾	100	+0½	0	7.[illegible]
Oslo, City of 5⅞ 90	80	93	93¾	+0⅛	+0⅞	6.[illegible]
Philips Lamps 5¾ 92	100	87½	88	0	+0¼	6.[illegible]
Swed. Ex. Cred. 7¼ 91	75	†97½	98	−0⅛	−0½	7.[illegible]
Trade Dev. Fin. 6⅞ 90	50	88	88½	−0⅛	−0⅞	7.[illegible]
Voest-Alpine 5⅞ 90	80	88⅜	88½	−0⅛	−1⅛	7.[illegible]
World Bank 6 91	150	92⅝	92⅞	+0⅛	−1	7.[illegible]
World Bank 7 90	100	100⅛	100⅝	−0⅛	−0⅛	6.[illegible]

Average price changes... On day −0⅛ on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. Bk. 8¼ 91	15	97¾	98	+0⅛	+0¼	8.[illegible]
Australia 6½ 88	20	85⅜	86⅛	−0⅛	−0⅞	9.[illegible]
EIB 7¾ 89	12	92⅜	93⅛	+0¼	+0⅞	9.[illegible]
Finland 6.8 88	10	84⅝	85⅜	−0⅜	−0½	9.[illegible]
Finland, Rep. of 8½ 87	15	97	97¼	−0⅛	−0⅛	8.[illegible]
New Zealand 8¼ 87	15	96⅞	97⅛	−0¼	−0⅞	8.[illegible]

Average price changes... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Bell Canada 10¾ 86 C$	60	†84½	85½	−1½	−2½	15.[illegible]
CIBC 13½ 85 C$	50	†89¾	90½	−1¼	−4	17.[illegible]
CIBC 11½ 85 C$	80	†82½	83½	−0⅞	−4	17.[illegible]
Federal Dev. 11½ 90 C$	60	†76	77	−1	−2	16.[illegible]
Fst Can. Inv. 10 84 C$	50	†82	83	−1	−1½	18.[illegible]
R. Bk. Canada 10 88 C$	40	†86	87	−1⅝	−2	14.[illegible]

(continued)	Issued	Bid	Offer	Change on day	week	Yield
Tordom Cpn. 13½ 85 C$	30	†90	[illegible]	[illegible]	[illegible]	[illegible]
M. Bk. Dnmk. 9 91 EUA	25	86½	[illegible]	[illegible]	[illegible]	[illegible]
SOFTE 8¾ 89 EUA	40	84¼	[illegible]	[illegible]	[illegible]	[illegible]
U. Bk. Nwy. 9½ 90 EUA	18	91	[illegible]	[illegible]	[illegible]	[illegible]
Algemene Bk. 10¼ 86 Fl	60	94⅛	[illegible]	[illegible]	[illegible]	[illegible]
Amro Bank 12 86 Fl	75	100	[illegible]	[illegible]	[illegible]	[illegible]
Heineken NV 10 87 Fl	100	94¼	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Nedrlndn. 10 88 Fl	60	94½	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Midd. Bk. 10 85 Fl	75	94	[illegible]	[illegible]	[illegible]	[illegible]
Pierson 10¼ 86 Fl	50	92¼	[illegible]	[illegible]	[illegible]	[illegible]
Rabobank 12 86 Fl	50	100¾	[illegible]	[illegible]	[illegible]	[illegible]
Air France 14½ 86 FFr	200	92	[illegible]	[illegible]	[illegible]	[illegible]
Bk. America 14½ 86 FFr	250	89⅞	[illegible]	[illegible]	[illegible]	[illegible]
Charb'nages 13⅞ 85 FFr	400	88⅞	[illegible]	[illegible]	[illegible]	[illegible]
EIB 14½ 88 FFr	300	87⅛	[illegible]	[illegible]	[illegible]	[illegible]
La Redoute 14¾ 85 FFr	125	86⅜	[illegible]	[illegible]	[illegible]	[illegible]
OKB 14 86 FFr	400	90¼	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et C 14¾ 86 FFr	200	94¾	[illegible]	[illegible]	[illegible]	[illegible]
Swed. E. Cr. 14¾ 86 FFr	250	87½	[illegible]	[illegible]	[illegible]	[illegible]
U. Mex. Sts. 14 85 FFr	150	89	[illegible]	[illegible]	[illegible]	[illegible]
Acona 14 85 £	20	92⅜	[illegible]	[illegible]	[illegible]	[illegible]
Beneficial 14¾ 90 £	20	83⅞	[illegible]	[illegible]	[illegible]	[illegible]
BNP 13½ 91 £	15	86¼	[illegible]	[illegible]	[illegible]	[illegible]
CFCA 13½ 88 £	20	88⅛	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 13½ 90 £	50	91⅛	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Ex. Cred. 13¾ 86 £	15	91⅛	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Co. 12½ 88 £	50	85¼	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker 14¾ 86 £	25	93⅛	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 14½ 88 £	12	89⅜	[illegible]	[illegible]	[illegible]	[illegible]
Rothschild 14¾ 90 £	12	92⅜	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 14 86 £	12	92⅜	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cr. 13¾ 86 £	20	92	[illegible]	[illegible]	[illegible]	[illegible]
Akzo 9¼ 87 LuxFr	500	90	[illegible]	[illegible]	[illegible]	[illegible]
Euratom 9¾ 88 LuxFr	500	84½	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 10½ 87 LuxFr	500	89⅞	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9¾ 88 LuxFr	600	85	[illegible]	[illegible]	[illegible]	[illegible]
Volvo 9¾ 87 LuxFr	500	85⅞	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	98	98½	[illegible]	[illegible]	[illegible]
BBL Int. 5 86	0¼	99	99½	[illegible]	[illegible]	[illegible]
BNP 5½ 88	‡0¼	99¼	99¾	[illegible]	[illegible]	[illegible]
Christiania Bk. 5½ 91	‡0¼	98¼	98¾	[illegible]	[illegible]	[illegible]
Citicorp O/S Fin. 94	‡0	99⅛	99⅝	[illegible]	[illegible]	[illegible]
C. Itoh 5¼ 87	0¼	98⅞	99⅜	[illegible]	[illegible]	[illegible]
Co-operative Bk. 6 86	0¼	99½	100	[illegible]	[illegible]	[illegible]
Den Norske Credit 6 90	‡0¼	98⅛	98⅝	[illegible]	[illegible]	[illegible]
Genfinance 5⅞ 87	0¼	98⅛	98⅝	[illegible]	[illegible]	[illegible]
Genfinance 5¼ 82	0⅛	98½	99	[illegible]	[illegible]	[illegible]
Giro und Bank 5¼ 91	‡0¼	98½	99	[illegible]	[illegible]	[illegible]
GZB 5¾ 92	‡0¼	97⅞	98⅜	[illegible]	[illegible]	[illegible]
Ind. Bank Japan 5¼ 88	0¼	98¾	99¼	[illegible]	[illegible]	[illegible]
Lloyds Eurofin 8 90 £	0⅛	97⅛	97⅝	[illegible]	[illegible]	[illegible]
Lloyds Eurofin 5¼ 92	0¼	98⅛	98⅝	[illegible]	[illegible]	[illegible]
LTCB Japan 5⅞ 86	0¼	98⅞	99⅜	[illegible]	[illegible]	[illegible]
Man. Hanov. O/S 5¼ 94	‡0⅛	99⅛	99⅝	[illegible]	[illegible]	[illegible]
Merrill Lynch O/S 87	0¼	99⅞	100⅜	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 5¼ 92	0⅛	98⅛	98⅝	[illegible]	[illegible]	[illegible]
Midland Int. Fin. 9 91	0¼	98	98½	[illegible]	[illegible]	[illegible]
Nacional Fin. 6¼ 88	0¼	98¼	99	[illegible]	[illegible]	[illegible]
Nacional Fin. 5½ 88	0¼	96⅞	97⅜	[illegible]	[illegible]	[illegible]
Nat. Bk. Canada 5¼ 88	0⅛	97⅞	98⅜	[illegible]	[illegible]	[illegible]
Nat. West. 5¼ 94	§0¼	97⅞	98⅛	[illegible]	[illegible]	[illegible]
Nat. West. Fin. 5⅞ 91	§0¼	98⅛	98⅝	[illegible]	[illegible]	[illegible]
Nat. West. Fin. 5¾ 92	§0¼	97⅞	98⅜	[illegible]	[illegible]	[illegible]
Pemex 6 91	0¼	96⅞	97⅜	[illegible]	[illegible]	[illegible]
Societe Generale 5¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bow Valley Inv. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furukawa Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Murata [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NKK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo M. Ind. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Inc. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricorp [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.
Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Terry Dodsworth describes how Aerospatiale was brought back to profit

Magic of the other Mitterrand

NOT MANY French company chairmen are prepared to go on the record these days with open criticism of nationalisation. But M Jacques Mitterrand, brother of the Socialist President and one of the country's top industrialists, had no hesitation when curious journalists tackled him shortly after the elections. "I am not sure that nationalisation is a matter of real urgency, or of fundamental importance," he said.

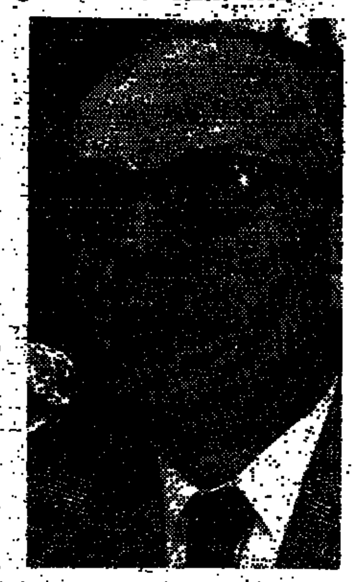
What makes M Mitterrand's remark even more piquant is the fact that he happens to be head of Aerospatiale, one of the longest-established of the present set of state companies.

After five years at the helm of this aerospace conglomerate, manufacturer of a variegated clutch of missiles, airliners, helicopters and space rockets, he obviously considers that state ownership is largely irrelevant to France's industrial needs. He recently likened the argument about nationalisation to the 15th century debate on the sex of angels, carried on blindly while the Turks were taking Byzantium.

Although M Mitterrand has no liking for state companies, he has been showing that they can work. He was hauled into Aerospatiale by President Giscard d'Estaing five years ago when the group was staggering through a period of prodigious losses, gobbling up subsidies as it went. By 1979 it was back on an even keel, and last year it earned a modest, but respectable, profit of FFr 138m ($24m).

M Mitterrand's period with the group is a good illustration of the tough, businesslike management approach which was brought to bear on the state sector during M Giscard's presidency.

Unlike his two predecessors, General de Gaulle and M Georges Pompidou, President Giscard was not afflicted by will-of-the-wisp dreams for big national prestige projects. Some of these programmes, such as the TGV high-speed train or the operation of the Concorde, were allowed to continue. But in general the state companies were told to shake themselves up and show the same competitive drive as the private sector.



M Jacques Mitterrand
Desire to build

At Aerospatiale, there was a clear need to stop the financial haemorrhage which had led to losses of FFr 2.4bn between 1972 and 1978. Derived from a series of mergers which brought together four separate companies nationalised in 1936, Aerospatiale was reckoned to be overmanned and under-managed for the size of its business in the mid-1970s.

The most recent of its amalgamations, in 1970, had not been fully digested, and it was suffering from the failure of French policy in the civil airliner field—construction of the Caravelle, though a technially sound aircraft, had had to be abandoned, while the Concorde had proved to be a financial disaster.

M Mitterrand was not the obvious choice for tackling Aerospatiale's problems. At that time he had no direct industrial experience. An air force general, his whole career had been in the armed services, first flying with the British in the Second World War and later being appointed second-in-command of the strategic nuclear force by President de Gaulle—at a time, ironically, when his brother was campaigning hard against the nuclear deterrent. In the early 1970s he commanded the Strategic Air Force.

Although this air force background meant a first hand knowledge of Aerospatiale's weapons division, M Mitterrand's appointment seems to have been mainly dictated by the Government's decision to bring a firm hand to bear on the ground. One of his first significant actions was to close down a factory at Chateauroux which had clearly been unprofitable throughout the 1970s, but which no one had dared to shut through fears of labour unrest.

Aerospatiale's staff recall that the ensuing management overhaul spared no one. The finances of the company were made more conservative by writing off all research and development expenditure against current profits. Cost-cutting spread into the boardroom, where salaries were frozen for a time. The labour force was gradually trimmed from about 40,000 to 38,000 last year, despite the growth in sales.

At the same time, M Mitterrand has made the group more international. A man with considerable overseas experience (apart from the war years, he served with the French delegation at Nato for a time), he argues that Aerospatiale is "condemned to export," because of the limitations of the French domestic market. The group's helicopter division, for example, now claims to be the third largest in the world, partly through its policy of manufacturing in the U.S., where it has won a number of big orders.

In some ways, these policies reveal the differences between M Mitterrand and his brother, a career politician who has arrived in power with his commitment to nationalisation slightly tarnished but still intact. The emphasis of the President's industrial thinking is on the other side of the scale to Aerospatiale's job-paring, internationalist approach.

Yet the two men remain very similar, quite apart from a striking physical likeness. Separated by only two years—at 63 Jacques is two years the President's junior — and members of a closely-knit family, they both have an enormous will to succeed.

Each has come a long way from the relatively humble railwayman's cottage where they were reared on a diet of books, religion and self-help. "We both have the desire to build something," says Jacques. And they have.

AEROSPATIALE - 1975 to 1980

	Turnover FFr bn	Profits/losses FFr m
1975	7.2	487*
1976	9.0	621*
1977	9.5	447*
1978	9.5	87*
1979	11.4	8
1980	13.2	138

* Loss

New twist in bid battle for China Motor Bus

BY KEVIN RAFFERTY IN HONG KONG

THE BATTLE for control of the China Motor Bus Company (CMB) took a new twist yesterday when the Ngan family, which has run the company since its foundation, made a cash offer of HK$100m (US$17m) for a limited number of shares which would allow it to retain control.

The new offer of HK$38.5 a share for up to 2.6m shares is HK$3.5 a share better than the existing offer by Paliburg Investments which is being made through its wholly owned subsidiary, Athlone. The Ngans together with associates claim to currently control 43 per cent of CMB.

The Ngan offer is being made through Snowspark Investments, 80 per cent of which is owned by four members of the Ngan family and 20 per cent by Hsin Chong Properties. Like Paliburg, the Ngans and Snowspark have been allowed to make only a partial bid because of the Government franchise requirement that CMB should be a publicly quoted company.

The bus company has attracted a lot of attention, not for its potential as a transport service—where profits are limited to a 15 per cent return—but because it has potentially profitable property assets which have not been developed.

The Snowspark offer document, says that CMB has considered and rejected the idea that Paliburg, which held 20.4 per cent of CMB when it made its offer, should be given seats on the board.

The CMB board said there was little that Paliburg or its directors could contribute to the running of the bus operations, having regard to the long experience and involvement in these operations of the Ngan family and the board.

As to the property side of the business, the board considered that Hong Kong had a number of experienced property developers—with at least as successful a record and as high a reputation, as Paliburg—who could, if necessary, assist the company in developing its surplus properties.

U.S. group to buy control of Spanish glass producer

BY ROBERT GRAHAM IN MADRID

GUARDIAN INDUSTRIES of the U.S. is to acquire control of the leading Spanish-owned flat glass producer, Vidrieras de Llodio (Villosa). Guardian is to pay Pta 4bn ($40m) for 62 per cent of Villosa and 77 per cent of the glass producer's marketing company, Central Vidriera.

At the same time Guardian is planning to make an initial capital investment of Pta 6bn which will involve the installation of a new float glass production facility.

The deal means that glass production in Spain will now be controlled effectively by foreign capital. Villosa's production accounts for roughly 30 per cent of the local flat glass market. The French Saint Gobain group is the largest producer in Spain.

Villosa is based at Llodio in the Basque province of Alava. Apart from normal flat glass products it produces double glazing, laminated glass and non-reflective glass. Total turnover last year was Pta 6.5bn.

The company has weathered the recession better than most Spanish concerns, helped by having some 33 per cent of production tied to experts. It has been seeking to install a float process for some time. Guardian already has one plant in Europe, in Luxembourg.

Guardian will be making only a smal cash payment for the Villosa shares, the rest being in delayed tranches. The shares are being bought from a finance company, Safina, which represents a group of Basque business interests. The agreement permits Guardian to acquire all Villosa shares at a future date.

The investment has been received with special interest in the Basque country. Not only is this the largest foreign investment announced in Spain this year but it is also the first time a foreign company has decided to commit a substantial sum of money to the troubled Basque region.

Michelin, for instance, is consciously running down its Basque operations.

Finsider hit by mounting losses

By Rupert Cornwell in Rome

THE OUTGOING president of Finsider, Sig Alberto Capanna, yesterday presented an unremitting bleak picture of the state-owned steel group, crushed by a mountain of debt and steadily increasing losses.

Addressing the annual meeting of the holding company, controlled by the state conglomerate, IRI, Sig Capanna reported that Finsider's losses in 1980 totalled L593bn ($474m) for the parent company alone. The consolidated deficit of the group, which includes the Italsider and Dalmine companies, reached L1,214bn compared with L308bn in 1979.

To cover the loss, Finsider shareholders (the group is 97 per cent controlled by IRI) approved a write-down of capital from L2,028bn to L1,404bn. This will be then increased to L2,052bn, and subsequently to L2,412bn, as soon as IRI itself receives the required funds.

For 1981, the financial prospects seem as bad, if not worse. Output in the first four months of this year dropped by 4.7 per cent while debt financing costs, the principal reason for the group's losses, are expected to reach L1,507bn in 1981, equivalent to $3.5m a day.

The new president of the concern is Sig Lorenzo Roasio, whose career so far has been with ENI, the publicly-owned energy group. Before his nomination to Finsider earlier this year, he was president of SNAM, the gas subsidiary of ENI.

The main problem facing him will be that which has constantly frustrated his predecessor—the lack of adequate state funding. This has meant that Finsider has had to rely on bank borrowing, with ruinous consequences.

Last spring the Italian Government drew up a L6,000bn recapitalisation programme for the state steel sector. But the scheme became bogged down in political wrangling.

INTL. COMPANIES & FINANCE

World record HK$2.8bn for Hong Kong hotel site

BY KEVIN RAFFERTY IN HONG KONG

A HONG KONG consortium yesterday agreed to pay HK$2.8bn (U.S.$480m) for a hotel site, a world record for the sale of a single site, according to Hong Kong Land, one of beats by about U.S.$80m the previous record which was the sale of the Pa nAm building in New York for U.S.$400m last year.

The Hong Kong site is the old Miramar Hotel on Nathan Road, the so-called Golden Mile of Hong Kong's Kowloon shopping and tourist district. The purchasers are a consortium in which the Carrian Group has a majority interest, with the share split: Carrian Investments (33 per cent); Carrian Holdings the unquoted (22 per cent); Hongkong Land (25 per cent); Miramar Hotel and investment company (7.5 per cent); Sun King Fung Development (7.5 per cent); China Underwriters Life and General Insurance Company (5 per cent).

The deal is not a record for Hong Kong in terms of the price per square foot. That honour goes to the Imperial Hotel which was sold in April for an average HK$39,000 per sq ft. The Miramar deal, with its huge 85,960 square foot, works out at HK$32,560 per sq ft.

What is remarkable is that the site commands such a high price given the restrictions on it. The purchasers will not get vacant possession until 1983. Because of height controls on Kowloon in connection with the approach to Kai Tak airport they will be limited to about 12 storeys, unless of course plans to move the international airport elsewhere mature early.

The consortium plans to demolish the existing hotel building, which is the older part of the Miramar Hotel complex. The new Miramar Hotel, with 700 beds out of the total 1,100, will remain. It will then build about a million sq ft of offices and shops, with the project due for completion by late 1985. Hongkong Land, which has been appointed project manager and property manager of the development, said yesterday that construction costs would probably come to HK$450 per sq ft.

However, the group has made a deferred payment deal for the financing of the project which will give it an effective reduction after discounting interest payments. The terms are that 15 per cent was paid at the contract signing yesterday, another 18 per cent is due in 18 months' time, and the balance is to be paid in May 1983.

However, the purchasing consortium has an option on financing the balance of HK$1.876bn due in 1983 by means of a three-year loan from Miramar at 1 per cent over prime. This will be paid back in three tranches, with the biggest slice of HK$1.428bn not due until May 1986. The principal does not have to be repaid until the end and in the meantime the consortium can gain income from the development if it chooses to sell in advance.

Mystery surrounds the Carrian Group which has the majority in the consortium. Earlier this year, it bought almost half the shareholding in China Underwriters from its Filipino owners, so its share in the consortium is close to 60 per cent.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bank	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
AP Bank Ltd.	12 %	Hongkong & Shanghai	12 %
■ Arbuthnot Latham	12 %	Knowsley & Co. Ltd.	12½%
Associates Cap. Corp.	12 %	Langris Trust Ltd.	12 %
Banco de Bilbao	12 %	Lloyds Bank	12 %
BCCI	12 %	Mallinhall Limited	12 %
Bank of Cyprus	12 %	Edward Manson & Co.	13 %
Bank of N.S.W.	12 %	Midland Bank	12 %
Banque Belge Ltd.	12 %	■ Samuel Montagu	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Morgan Grenfell	12 %
Barclays Bank	12 %	National Westminster	12 %
Beneficial Trust Ltd.	13 %	Norwich General Trust	12 %
Bremar Holdings Ltd.	13 %	P. S. Refson & Co.	12 %
Bristol & West Invests.	13 %	Ryl. Bk. Canada (Ldn.)	12 %
Brit. Bank of Mid. East	12 %	Slavenburg's Bank	12 %
■ Brown Shipley	12½%	E. S. Schwab	13 %
Canada Perm't Trust	13 %	Standard Chartered	‖12 %
Cayzer Ltd.	12 %	Trade Dev. Bank	12 %
Cedar Holdings	12 %	Trustee Savings Bank	12 %
■ Charterhouse Japhet	12 %	TCB Ltd.	12 %
Choulartons	12 %	United Bank of Kuwait	12 %
C. E. Coates	12 %	Whiteaway Laidlaw	12½%
Consolidated Credits	12 %	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Wintrust Secs. Ltd.	12 %
Corinthian Secs.	12 %	Yorkshire Bank	12 %
The Cyprus Popular Bk.	12 %		
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 9%, 1-month 9½%. Short term £4,000/12 months 11.85%.

† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 10% and over £50,000 11%.

‡ Call deposits £1,000 and over 9%.

§ Demand deposits 9½%.

‖ 21-day deposits over £1,000 10½%.

Downturn for Standard Bank

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S second largest banking group Standard Bank Investment Corporation (Stanbic), which is 58 per cent-owned by Standard Chartered, suffered from tightening margins in the six months to June 30. First-half pre-tax profit was R44.1m ($46m) compared with R44.7m for the corresponding period of 1980, and R103.1m for the full year.

The bank attributes the setback to a sharp increase in interest rates paid on deposits. Though South Africa's economic growth rate slowed in the first six months, demand for instalment credit continued, and slack remand for commercial bank lending has been reversed. However, growth in interest received lagged behind the rise in the cost of funds, because of the bank's material exposure to fixed rate instalment credit and the restriction caused by the *bank rate.*

For the remainder of the year, margins are expected to continue to be under pressure, despite the recent 2 per cent bank rate increase to a record 12.5 per cent.

Demand for consumer credit is expected to diminish, but that for commercial bank lending is expected to increase for the time being. Second half profit should approach that of the first, the bank says. An unchanged interim dividend of 12 cents has been declared, and the year's total should be the same as last year's 40 cents.

Nippon Denso sees rise after first-half setback

BY YOKO SHIBATA IN TOKYO

NIPPON DENSO, Japan's leading manufacturer of car electronic equipment, in which Toyota Motors holds a 21.3 per cent stake, has reported a 1.7 per cent dip in operating profits to Y26.1bn ($106m) for the six months to end June, despite an 8.2 per cent rise in sales to Y254.4bn ($1.15bn). Net profits fell by 4.2 per cent to Y12.27bn and profits per share were Y77.22, compared with Y97.11.

Although sales of air conditioners, the company's main products, were sluggish—rising by only 3.9 per cent to account for 40 per cent of the total—*sales of other divisions* were strong. However, higher depreciation and energy prices lifted the cost to sales ratio by 1.8 per centage point to 85 per cent and the company was unable to cover fully this rise through increased production and rationalisation measures.

Nippon Denso has been carrying out an aggressive capital investment programme. It plans to invest Y50bn in the current year, following last year's Y55bn, on plant construction and new products.

Sales of air conditioners are expected to recover in the second half and the company expects to sell 2.05m units in the full year, against 1.92m in 1980.

Operating profits for the year are expected to reach Y50bn up 2.7 per cent, on sales of Y560bn, up 8.3 per cent.

Pep to buy Rembrandt loss maker

By Our Johannesburg Correspondent

PEP STORES, the South African retail clothing and soft goods chain with 500 outlets, is negotiating to acquire I. L. Back, the 97 per cent-owned clothing manufacturing subsidiary of Rembrandt. Details have yet to be announced, but a merger of the two companies would be in line with Pep chairman Mr Renier van Rooyen's objective of lessening his company's dependence on outside clothing manufacturers.

Pep has grown rapidly in the past few years. In the year to February 1981, turnover rose by 28 per cent to R202m ($228m) and pre-tax profit was 85 per cent ahead at R20.4m.

I. L. Back, on the other hand, has been plagued with a succession of operating losses since 1978. Control was acquired by Rembrandt in 1976 and the company has existed with Rembrandt's support since then. In the year to March 1981 an attributable loss of R2.72m was recorded against R1.88m in the previous year. The company says it broke even in the three months to end-June 1981.

Pep has clothing and blanket manufacturing operations in the Cape, Natal, and Transkei which were fully occupied in the last financial year.

هكذا من الاصل

CURRENCIES, MONEY and GOLD

Dollar firm

The dollar continued to improve in currency markets yesterday. Early intervention by European central banks saw the U.S. unit ease back from its opening levels but the dollar's strong undertone reasserted itself later in the day so that the Italian lira, Danish krone and Spanish peseta all fell to record lows. Euro-dollar rates were generally firmer and in the U.S. domestic market Federal funds were quoted around 21 per cent.

Sterling fell against the dollar in late trading to finish at its worst level since October 1977. Against European currencies however it showed only a small decline.

European currencies slumped to new lows against the dollar but showed little overall change within the European Monetary System. The French lost ground however reflecting to some extent a further cut in domestic interest rates while the Italian lira improved a little to remain the most improved currency ahead of the D-mark.

DOLLAR — trade-weighted index (Bank of England) rose from 114.8 to 114.9. The dollar climbed to a five-year high against the D-mark, closing at DM 2.5350 compared with DM 2.5260 on Monday. Against the Swiss franc it rose to SwFr 2.2060 from SwFr 2.1970 and Y246.10 from Y245.40. In terms of the French franc the dollar closed at FFr 6.0225 from FFr 6.0050.

STERLING — trade-weighted index (Bank of England) fell to 91.4 from 91.5, having stood at 91.5 at noon and in the morning. Trading during the morning was fairly steady as central banks managed to contain the dollar's rise, but as European centres closed pressure increased on sterling so that from an opening level of $1.8160 it dipped to a low of $1.7900 during the afternoon. It closed at $1.7930-1.7950, the 20-point spread reflecting thin and nervous conditions, which was down 65 points from Monday's close. Against the D-mark sterling eased to DM 4.5475 from DM 4.5500 and was unchanged against the Swiss franc at SwFr 3.9575. In terms of the French franc it fell to FFr 10.7975 from FFr 10.8050.

D-MARK—No longer strongest member of the European Monetary System, having been superceded at the end of last week by the Italian lira. The D-mark remains very weak as U.S. rates remain high and a continued widening in Germany's current account deficit has also had a depressing effect—The D-mark was extremely weak in Frankfurt yesterday against the dollar with the latter fixed at its highest level for five years at DM 2.5105 compared with DM 2.5035 on Monday. The rise came despite record invention by the Bundesbank at the fixing. It sold $201.05m in an attempt to contain the dollar's rise, considerably more than the previous record set in February when the authorities sold $164.7m. Earlier in the day the dollar had fallen to a low of DM 2.5030 on profit taking and central bank intervention but started to recover some time before lunch. Elsewhere sterling was fixed at DM 4.5510 down from DM 4.5540 while the Swiss franc rose to DM 1.1520 from DM 1.1497.

JAPANESE YEN—Weaker against the dollar in recent months because of the sharp rise in U.S. interest rates. The yen recovered some lost ground in Tokyo as the dollar experienced a technical setback. After opening at Y246.40, the dollar closed at Y242.10 compared with Y243.65 on Monday. It touched a high of Y247.40 but then fell sharply to Y241.50 as initial dollar sales sparked off profit taking. However most of the market agreed that this was likely to be only a temporary check

THE POUND SPOT AND FORWARD

Aug 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7900-1.8160	1.7930-1.7950	0.92-1.02c dis	−6.49	2.30-2.40dis	−5.24
Canada	2.2250-2.2560	2.2275-2.2295	1.80-1.95c dis	−10.10	4.30-4.50dis	−7.90
Nethlnd.	5.03-5.07	5.03-5.04	½c pm-½ dis	−0.30	1¼-¾ pm	0.79
Belgium	74.20-74.70	74.30-74.40	50-60c dis	−8.88	108-178 dis	−5.08
Denmark	14.31-14.36	14.33½-14.35½	4-5½ore dis	−3.87	13¾-15½ dis	−4.08
Ireland	1.2405-1.2480	1.2435-1.2455	0.26-0.39p dis	−3.13	0.85-1.01dis	−2.99
W. Ger.	4.53½-4.56½	4.54½-4.55½	¾-½pf pm	1.32	2-1½ pm	1.54
Portugal	119.10-121.00	119.30-119.60	50-125c dis	−8.79	170-325 dis	−8.29
Spain	180.00-182.00	180.10-180.40	45-75c dis	−3.99	200-240 dis	−4.88
Italy	2,240-2,261	2,240-2,242	32½-34½lire dis	−17.94	90-93 dis	−16.33
Norway	11.18-11.28	11.18-11.20	1ore pm-¼ dis	0.40	1½-¼ pm	0.54
France	10.79-10.85	10.79¼-10.80¼	6½-7½c dis	−8.06	18¼-19¼ dis	−7.13
Sweden	9.57-9.66	9.57½-9.59½	½-1½ore dis	−1.25	¼-1½ dis	−0.36
Japan	438-446	441-442	2.80-2.50y pm	7.20	7.75-7.45 pm	6.88
Austria	31.90-32.10	31.90-31.95	8-3gro pm	2.07	14-4 pm	1.13
Switz.	3.94-3.97	3.95¼-3.96¼	2-1½c pm	5.31	5-4½ pm	4.30

Belgian rate is for convertible francs. Financial franc 79.80-79.90. Six-month forward dollar 4.52-4.62c dis. 12-month 6.60-6.75c dis.

THE DOLLAR SPOT AND FORWARD

Aug 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7900-1.8160	1.7930-1.7950	0.92-1.02c dis	−6.49	2.30-2.40dis	−5.24
Ireland†	1.4425-1.4580	1.4425-1.4450	0.32-0.42c dis	−3.06	0.70-0.80dis	−2.07
Canada	1.2389-1.2430	1.2424-1.2427	0.40-0.45c dis	−4.12	0.88-0.93dis	−2.92
Nethlnd.	2.7870-2.8130	2.8075-2.8125	1.50-1.40c pm	6.21	4.25-4.15 pm	6.00
Belgium	41.15-41.49	41.47-41.49	5-15c dis	−2.91	8-18 dis	−1.26
Denmark	7.9055-7.9700	7.9600-7.9700	1.40-1.15ore pm	1.93	2.20-1.70 pm	0.99
W. Ger.	2.5025-2.5370	2.5345-2.5355	1.61-1.55pf pm	7.48	4.20-4.14 pm	6.58
Portugal	66.30-66.70	66.55-66.70	10-40c dis	−4.50	15-95 dis	−3.30
Spain	100.15-100.85	100.65-100.85	20c pm-par	1.19	10pm-15dis	−0.10
Italy	1,244-1,251	1,249-1,251	11-13 lire dis	−11.55	34-37 dis	−11.39
Norway	6.2130-6.2450	6.2350-6.2450	3.40-2.90ore pm	6.08	8.50-8.00 pm	5.30
France	5.9600-6.0300	6.0200-6.0250	0.70-1.10c dis	−1.80	2.50-3.25dis	−1.92
Sweden	5.3210-5.3400	5.3300-5.3400	2.60-2.40ore pm	5.63	6.95-6.75 pm	5.14
Japan	242.00-246.25	246.05-246.15	2.85-2.70y pm	13.53	7.40-7.25 pm	11.90
Austria	17.63¾-17.73	17.70-17.71	12.20-10.70gro pm	7.76	28.75-24.75pm	6.04
Switz.	2.1730-2.2070	2.2065-2.2065	2.15-2.05c pm	11.42	5.45-5.35 pm	9.79

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Aug. 4	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.4	−32.4
U.S. dollar	114.9	+8.1
Canadian dollar	87.0	−19.1
Austrian schilling	110.7	+22.5
Belgian franc	104.2	+8.9
Danish kroner	84.7	−11.9
Deutsche mark	115.6	+37.2
Swiss franc	135.7	+80.4
Guilder	107.3	+14.4
French franc	81.8	−12.2
Lira	57.4	−55.5
Yen	134.6	+28.4

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Aug. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	13	0.615216	0.555070
U.S. $	14	1.11636	1.00797
Canadian $	20.54	1.38607	1.24837
Austria Sch.	6¾	19.6267	17.7301
Belgian F.	15	45.7038	41.2991
Danish K.	11	8.77738	7.93878
D mark	7½	2.79481	2.52546
Guilder	9	3.10069	2.80014
French Fr.	9½	6.65285	5.98251
Lira	19	1384.84	1250.59
Yen	6¼	269.924	246.852
Norwgn. Kr.	9	6.92255	6.26857
Spanish Pts.	8	111.373	100.646
Swedish Kr.	12	5.90052	5.33569
Swiss Fr.	5	2.43054	2.19455
Greek Dr'ch.	20½	—	61.6072

OTHER CURRENCIES

Aug. 4	£	$		£ Note Rates
Argentina Peso	8861-8881†	4898-4918†	Austria	31.80-32.15
Australia Dollar	1.5975-1.6015	0.8900-0.8905	Belgium	79.40-80.20
Brazil Cruzeiro	174.17-175.17	96.40-96.88	Denmark	14.25-14.40
Finland Markka	8.363-8.370	4.6340-4.6360	France	10.76-10.86
Greek Drachma	109.215-112.558	61.35-61.45	Germany	4.55-4.56
Hong Kong Dollar	10.67½-10.68½	5.9210-5.9260	Italy	2220-2270
Iran Rial	150.20*	82.60*	Japan	442-447
Kuwait Dinar (KD)	0.514-0.520	0.2853-0.2857	Netherlands	5.03½-5.06½
Luxembourg Fr.	74.30-74.40	41.47-41.49	Norway	11.20-11.32
Malaysia Dollar	4.2710-4.2810	2.3700-2.3750	Portugal	118½-126
New Zealand Dlr.	2.1990-2.2040	1.2245-1.2255	Spain	177-185
Saudi Arab. Riyal	6.15-6.21	3.4100-3.4200	Sweden	9.59-9.69
Singapore Dollar	3.9310-3.9410	2.1810-2.1840	Switzerland	3.93½-3.97½
Sth. African Rand	1.7220-1.7240	0.9600-0.9610	United States	1.80½-1.81½
U.A.E. Dirham	6.62-6.68	3.6700-3.6750	Yugoslavia	70½-76

† Rate given for Argentine is the commercial rate. The financial rate for sterling is 12,868-12,888 and for the dollar 7,100-7,150. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU August 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.2848	+1.19	+1.32	±1.5361
Danish Krone	7.91917	7.93572	+0.21	+0.34	±1.6413
German D-Mark	2.54502	2.52062	−0.95	−0.82	±1.1386
French Franc	5.99526	5.99632	+0.02	+0.15	±1.3638
Dutch Guilder	2.81318	2.79882	−0.51	−0.38	±1.5159
Irish Punt	0.685145	0.688965	+0.56	+0.69	±1.6688
Italian Lira	1262.92	1248.40	−1.15	−1.15	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Aug. 4	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.794	4.548	441.5	10.798	3.958	5.035	2241.	2.229	74.35
U.S. Dollar	0.557	1.	2.535	246.1	6.019	2.206	2.607	1249.	1.242	41.44
Deutschemark	0.220	0.395	1.	97.09	2.374	0.870	1.107	492.8	0.490	16.35
Japanese Yen 1,000	2.265	4.063	10.30	1000.	24.46	8.964	11.40	5076.	5.048	168.4
French Franc 10	0.926	1.661	4.212	408.9	10.	3.665	4.663	2075.	2.064	68.86
Swiss Franc	0.253	0.453	1.149	111.6	2.728	1.	1.272	566.3	0.563	18.79
Dutch Guilder	0.199	0.356	0.903	87.69	2.144	0.786	1	445.1	0.443	14.77
Italian Lira 1,000	0.446	0.801	2.029	197.0	4.818	1.766	2.247	1000.	0.994	33.18
Canadian Dollar	0.449	0.805	2.041	198.1	4.845	1.776	2.259	1006.	1.	33.36
Belgian Franc 100	1.345	2.413	6.116	593.8	14.52	5.323	6.772	3014.	2.997	100

FT LONDON INTERBANK FIXING (11.00 a.m. AUGUST 4)

3 months U.S. dollars		6 months U.S. dollars	
bid 19 5/16	offer 19 7/16	bid 19 1/4	offer 19 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Aug. 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11½-12	19¼-19½	22½-23½	13⅜-13⅝	—	11¾-12	18¼-18¾	18-23	18½-19	5¾-6¼
7 days' notice	12¾-13	19¼-19½	22½-23½	13½-13¾	6-6½	11¾-12	19-19½	31-37	24-24½	6⅛-6⅜
Month	13¾-13⅞	19¼-19½	22⅛-22½	13½-13⅝	8⅞-9⅛	12¼-12⅜	20⅝-21⅛	31-32½	21½-22	6⅝-6⅞
Three months	14⅜-14½	19⅛-19⅜	21⅝-22	13 5/16-13 7/16	9¼-9⅜	12 5/16-12 7/16	21-21½	31-32½	20½-21	7⅛-7⅜
Six months	14⅜-14½	19⅛-19⅜	21¼-21⅝	12 13/16-12 15/16	9 1/16-9 3/16	12 5/16-12 7/16	20⅞-21⅛	30-31½	19⅝-20⅛	7¼-7½
One Year	14⅜-14½	18⅛-18⅜	20-20⅜	12⅝-12¾	9⅛-9¼	12⅜-12½	20-20½	29-30½	18⅜-18⅞	8-8¼

SDR linked deposits: one-month 16 11/16-16 15/16 per cent; three-months 16¼-16½ per cent; six-months 16 1/16-16 7/16 per cent; one-year 15⅞-16¼ per cent.

ECU linked deposits: one-month 16-16⅜ per cent; three-months 16 7/16-16 11/16 per cent; six-months 16 5/16-16 11/16 per cent; one-year 15⅞-16¼ per cent.

Asian $ (closing rates in Singapore): one-month 19⅛-19⅜ per cent; three-months 19 3/16-19⅜ per cent; six-months 19 3/16-19 7/16 per cent; one-year 18⅛-18⅜ per cent. Long-term Eurodollar two-years 17-17¼ per cent; three-years 16⅞-17⅛ per cent; four years 16¾-17 per cent; five-years 16⅝-16⅞ per cent; nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.00-19.10 per cent; three-month 18.95-19.05 per cent; six-months 18.80-18.90 per cent; one-year 17.65-17.75 per cent.

MONEY MARKETS

Bank drains surplus

Bank of England Minimum Lending Rate 12 per cent (since March 10 1981)

The Bank of England stayed on the sidelines during the morning but intervened in the London money market yesterday afternoon to sell a large amount of Treasury bills both to discount houses and banks. The bills mature on August 20 and the rate varied between 12½ per cent and 13⅛ per cent. In the market's favour banks brought forward balances a small way above target and funds were swelled by the redemption of Exchequer 9¾ per cent 1981. In addition Government disbursements exceeded revenue transfers to the Exchequer by a moderate amount. There were no appreciable factors working against the market.

Discount houses were paying up to 12½ per cent for secured call loans at the start but later balances were taken as low as 6 per cent.

In the interbank market overnight loans opened at 12¼-12½ per cent and had eased to 11¾-11⅞ per cent by noon. Later in the day rates touched 7-8 per cent, came back to 9-11 per cent and finished at 4 per cent. The surplus of funds was reflected in the one week rate which slipped from an early level of 12⅞-13 per cent to 12¼-12⅝ per cent compared with 12⅞-13⅛ per cent on Monday.

In New York the Federal Reserve Bank added reserves to the interbank market through overnight repurchase agreements. At the time Federal funds were quoted at 20½ per cent.

In Paris the Bank of France cut its money market intervention rate to 17⅛ per cent from 17¼ per cent when it bought around FFr 11bn of first-category paper from the market. Yesterday's move was seen as a continuation of the authorities' recent attempts to reduce interest rates and thereby lessen the burden on French industry. In the money market call money eased to 17½ per cent from 17⅝ per cent, the lowest level since the Socialists came to power in June. Longer-term rates were unchanged, however.

In Brussels the Belgian National Bank cut the rate on three-month Treasury bills to 15.75 per cent from 16 per cent.

In Amsterdam the central bank introduced a 14-day dollar swap agreement to inject funds into the money market, effective on Thursday. Seven-day swaps announced last week put approximately Fl 1.2bn into the system yesterday.

GOLD

Slight fall

Gold continued to lose ground in the London bullion market yesterday, closing at $389-391, a fall of $2 an ounce from Monday. The metal opened at $391-393 and trading remained quiet and nervous as the market watched the performance of the dollar.

In Paris the 12½-kilo bar was fixed at FFr 88,000 per kilo ($457.78 per ounce) in the afternoon compared with FFr 88,000 ($457.32) in the morning and FFr 88,000 ($460.67) on Monday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 31,875 per kilo ($393.98 per ounce) against DM 31,685 ($393.99) previously and closed at $391-393, unchanged from Monday.

In Luxembourg the 12½-kilo bar was fixed at the equivalent of $391.70 per ounce from $392.00 on Monday.

In Zurich gold finished at $390-393 compared with $391-394.

	Aug. 4		Aug. 3	
Gold Bullion (fine ounce)				
Close	$389-391	(£216-217)	$391-393	(£216-217)
Opening	$391-393	(£215-216)	$395-397	(£215-216)
Morning fixing	$391.75	(£216.556)	$392.50	(£215.517)
Afternoon fixing	$391.25	(£216.405)	$392.50	(£216.194)
Gold Coins				
Krugerrand	$402-405	(£223-224½)	$402½-403½	(£223½-224)
1/2 Krugerrand	$206-210	(£114¼-116¼)	$207¼-208¼	(£115-115½)
1/4 Krugerrand	$105-108	(£58¼-59¾)	$105½-106½	(£58½-59)
1/10 Krugerrand	$43-46	(£23¾-25½)	$43-44	(£23¾-24½)
Mapleleaf	$399-402	(£221¼-222¾)	$398½-401½	(£221¼-223)
New Sovereigns	$98-100	(£54-55)	$97¾-98¼	(£54¼-54½)
King Sovereigns	$110-112	(£60¾-61¾)	$111-113	(£61-62)
Victoria Sovs.	$110-112	(£60¾-61¾)	$111-113	(£61-62)
French 20s	$113-118	(£62½-65½)	$113-118	(£62¾-65½)
50 pesos Mexico	$485-488	(£269-270½)	$486-489	(£269¾-271½)
100 Cor. Austria	$376-380	(£208½-210¼)	$377-381	(£209½-211½)
$20 Eagles	$541-546	(£300-302¾)	$540-545	(£299¾-302½)

LONDON MONEY RATES

Aug. 4 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	4-12½	11¾-12¼	—	—	12-12½	6-12¼	—	—	—
2 days notice	—	—	13¼-13½	—	—	12⅞-13¼	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-13½	13½-13⅝	—	12¾	—	12¼-12⅝	—	—	—
One month	14½-13¾	13⅞-14 1/16	13⅞	14⅝-14¼	14½	14¼-14½	13	13 1/16	13 7/16-13⅝	14¾
Two months	14⅝-14¼	14 1/16-14½	—	14⅞-14½	14 5/16	14¾	13¼-13⅜	13 11/16-13⅞	13 13/16-13 15/16	14 1/16
Three months	14⅝-14⅜	14 5/16-14⅝	14½	14⅞-14⅜	14⅜	14⅞	13½-13⅝	13 13/16-13⅞	13 13/16-14	14½
Six months	14 9/16-14⅜	14 9/16-14⅝	14½	14-13⅝	14¾	—	—	—	13¾	14⅝
Nine months	14 9/16-14 7/16	14 9/16-14⅝	—	15-14⅝	14½	—	—	—	—	—
One year	14 11/16-14 9/16	14 11/16-14 9/16	14½	14¾-14⅝	14½	—	—	—	—	—
Two years	—	—	14¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three-years 14⅞ per cent; four-years 15 per cent; five-years 15 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅞-13 13/16 per cent; four-months trade bills 14 11/16 per cent.

Approximate selling rate for one-month Treasury bills 13 5/32-13 11/32 per cent; two-months 13⅜-13 23/32 per cent; three-months 13⅝-13 23/32 per cent. Approximate selling rate for one-month bank bills 13½-13¾ per cent; two-months 13 13/16-13⅞ per cent; three-months 13 13/16-13⅞ per cent; one-month trade bills 14½ per cent; two-months 14 7/16 per cent; and three-months 14 7/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13½ per cent from August 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 3 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 13.8014 per cent.

MONEY RATES

NEW YORK	
Prime rate	20½
Fed. funds	20½
Treasury bills (13-week)	15.58
Treasury bills (26-week)	15.48
GERMANY	
Special Lombard	12.0
Overnight rate	12.00
One month	12.75
Three months	12.976
Six months	13.0
FRANCE	
Intervention rate	17.125
Overnight rate	17.50
One month	16.875
Three months	16.875
Six months	16.375
JAPAN	
Discount rate	6.25
Call (unconditional)	7.375
Bill discount (three-month)	7.53125

WORLD STOCK MARKETS

Dow index 3.3 lower at 1pm

MONDAY'S EASIER trend persisted yesterday morning in reasonably active dealings, partly reflecting the market's unhappiness over the lack of *downward movement in interest* rates.

Investors were also attracted away by the high yields available in the Bond market, where prices continued to weaken.

The Dow Jones Industrial Average, after receding 6 points the previous day, was 3.33 lower at 942.92 at 1 pm yesterday. The NYSE All Common Index shed 8 cents more to $75.62, while falls led advances by a seven-to-five margin. Turnover came to 28.15m shares, compared with Monday's 1 pm figure of 29.29m.

Monte Gordon, of Dreyfus Corporation, said other underlying negative factors include uncertainty over the results of the Treasury's heavy refinancing, scheduled for this week, and the impact of the air traffic controllers' strike.

Takeover news was the main focus of trading activity again, with **Conoco** leading the actives list at $92¾, off 3⅛. **Du Pont**, which received tenders for 57 per cent of Conoco's stock, lost ¼ to $45⅞.

Of the two other suitors for Conoco, **Mobil** shed ¼ to $30⅝ and **Seagram** 1½ to $55. Seagram has received telnders for 18 per cent of Conoco's shares.

Among other possible bid candidates, **Diamond Shamrock** put on $1 to $36½, **Newmont Mining** $1 to $68½. **Superior Oil** 2¼ to $43⅝ and **North American Coal** 1⅞ to $38⅞.

Other active issues included **Philbro**, up another 2⅛ at $32⅞, which plans to acquire Salomon Brothers, and **Fuqua Industries**, ⅞ firmer at $17⅞. Fuqua plans to buy out its stockholders at $20 a share.

THE AMERICAN SE Market value Index was dawn 0.88 at 358.00 at 1.00 pm after volume of 3.90m shares (2.45m).

Closing prices for North America were not available for this edition.

Canada

Markets were broadly lower at mid-day after a fair business. The Toronto Composite index retreated 17.0 to 2,236.9 at noon, while Golds fell 108.2 to 3,710.9 and Oil and Gas 56.6 to 4,768.4.

Tokyo

Stocks again closed with an easier bias after light trading. However, some segments of the market, particularly export-orientated Light Electricals and Precision Instruments, ended on a strong note, responding to a sharp recovery in the yen against the U.S. dollar during the afternoon.

In the morning, stock prices continued the recent downtrend as the dollar kept gaining strength, climbing above the Y247 level at one point. In the afternoon, however, the U.S. currency lost strength in what dealers called a technical reaction to its recent sharp rise, and this gave some lift to the stock market.

The Nikkei-Dow Jones Average managed to finish a slight 4.09 up on the day at 7,820.06, but declines still outscored gains on the First Market section by 342 to 209. Volume again amounted to 230m shares.

Brokers said there were very few foreign investors in the market, and many Japanese market operators remained cautious.

Sony gained Y60 to Y4,990, **TDK Electronics** Y80 to Y5,060, **Canon** Y30 to Y1,740, **Ricoh** Y8 to Y993 and **Toyota Motor** Y20 to Y1,500.

Several Steels also reversed initial losses, **Sumitomo Metal** adding Y4 at Y280 and **Kawasaki Steel** Y2 at Y209.

Renewed support was seen for Robot Makers, *Yasukawa Electric* rising Y25 to Y620, while some Oils were higher, **Nippon** advancing Y12 to Y855 and **Teikoku** Y16 to Y600.

However, Heavy Electric Machines and Optical Fibres remained generally lower in thin trading. **Toshiba** lost Y6 at Y426, **Sumitomo Electric** Y13 at Y585, **Furukawa Electric** Y12 at Y363 and **Nippon Electric** Y6 at Y865.

Germany

Depressed by the strength of the *U.S.* dollar against *the* D-mark and the tense situation in Poland, Bourse prices generally retreated amid profit-taking after the recent good showing. The Commerzbank index declined 5.5 to 735.6.

Mannesmann, the steel and machinery group, lost DM 3.60 to DM 161.40, possibly on the Polish situation, which might erupt to threaten the construction contracts for the Soviet natural gas pipeline.

Among weak Banks, **Dresdner Bank** shed DM 4 and **Bayerische Vereinsbank** DM 5.

Domestic Bond prices drifted downwards by as much as DM 1 in a market made nervous by the dollar's sharp rise on Foreign Exchanges since Friday.

Hong Kong

The market reopened after the holiday-lengthened weekend on a weak note, shares turning sharply lower although in relatively quiet trading. The Hang Seng index, which had rallied a total of 59 points during Thursday and Friday of last week, receded 38.19 to 1,681.65. Turnover on the four Stock Exchanges contracted to HK$359.68m from Friday's total of HK$523.44m.

Brokers attributed the fall to a single factor: high U.S. interest rates. They said the market reacted to fears that local interest rates may have to go up to defend a plummeting Hong Kong dollar against its U.S. counterpart.

However, some of those fears were eased by remarks from *Hong Kong's Financial Secretary*, made yesterday afternoon. He pointed out that the Hong Kong unit had only slid alongside other currencies against the dollar, while the Hong Kong dollar's trade-weighted index had remained stable. The remarks were taken by many to indicate that the Government would not push for higher interest rates yet.

Brokers said they expected the market to consolidate near current levels, but that it would remain extremely volatile in the near-term.

A consortium involving primarily **Carrian Investments** and **Hongkong Land** paid HK$2.8bn for a hotel, which is to be redeveloped. The price is believed to be a record for an urban site. This failed to stir the market, however.

Carrian lost 15 cents to HK$9.35 and **HK Land** 30 cents to HK$11.20.

Paris

Buoyed by the continued decline in local short-term interest rates, shares mainly moved higher in moderate activity. Operators reported increasing interest by foreign investors. The Indicateur de Tendance index improved 1.4 to 94.9.

Australia

Markets resumed their downward drift yesterday, with the Australian All Ordinaries index slipping 5.3 to a new low for the year of 629.7. Helping to undermine sentiment in the Mining sector was the sharp overnight fall in the Bullion price.

Central Norseman Gold receded 20 cents to A$6.30, **Kitchener** and **Poseidon** 10 cents each to A$2.60 and A$3.50 respectively, **GMK** 8 cents to A$6.00 and **Southern Gold** also 8 cents to 42 cents. **Peko-Wallsend** fell 30 cents to A$6.20 and **Western Mining** 8 cents to A$4.52.

Overall market leader **BHP** went into a fresh slide, falling through its important A$13.00 support level to A$12.70, which is 35 cents below Monday's Melbourne close.

Johannesburg

Gold shares tended to drift easier as the bullion price held steady at just above its low $390 an ounce level, but trading continued very quiet.

NEW YORK

CANADA

Indices

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Conoco	1,614,700	94	+2⅜	Fluor	489,400	37⅝	+ ⅜
Uniroyal	811,600	8⅞	− ⅜	Exxon	466,200	34⅞	− ⅛
Mobil	596,400	30⅝	+ ¾	Natomas	411,600	33½	+ ⅜
Sears Roebuck	587,900	17⅝	− ⅛	Texas Util.	384,400	21	+ ⅜
Clark Oil	553,100	36¾	+2⅜	Superior Oil	344,000	41½xd	+1⅝

COMMODITIES AND AGRICULTURE

Cash copper wirebars top £1,000

By John Edwards, Commodities Editor

COPPER, lead and zinc values advanced strongly again on the London Metal Exchange yesterday encouraged by the weakness of sterling against the dollar and the recent spate of U.S. price rises.

On the copper market, cash wirebars rose above £1,000 for the first time since last April gaining £19.5 to £1,003 a tonne. Traders claimed that consumer demand was backed up by merchant and speculative buying interest.

Zinc was unaffected by the overnight news that a strike at the New Jersey Zinc plants had been avoided when workers voted, against the advice of their union representatives, to accept the terms of new labour contracts offered by the company.

There is more concern in London about the continuing strike at Tara Mines in Ireland and the possibility of a rise in the European producer price from its present level of $925 a tonne. However, news of more U.S. zinc price increases have helped boost zinc and the cash price closed £11.5 up at a new seven-year high of £519.5 a tonne.

Lead too was pushed higher by heavy speculative buying fuelled by lower sterling, overnight U.S. lead price rises and the continuing Amax and Tara strikes. Cash lead gained £13.5 to £486 a tonne re-establishing a premium over the three months quotation which was £10.25 up at £483.75.

● BRUSSELS—Sozacom, Zaire's state-controlled metal marketing organisation, yesterday cut its world producer price for cobalt to $17.66 from $20, Reuter reported.

Metals forum in London

THE OUTLOOK for lead and zinc in the U.S. and worldwide will be reviewed by James Broadhead, president of St Joe Minerals Corporation, at this year's American Metal Market forum to be held in London on October 12—the day before the Metal Exchange annual dinner.

Copper prospects will be looked at by General Gaston Frez, executive president of Corporacion Nacional del Cobre de Chile, who will explain Chilean plans.

Aid for Indian tea industry

BY K. K. SHARMA IN NEW DELHI

GOVERNMENT AID for India's tea industry was pledged yesterday at a conference in Delhi attended by representatives of the tea industry and government.

The aid would enable the tea industry, ailing because of depressed tea prices, to recover its competitive edge.

At the two-day conference ended yesterday, representatives of the industry and the government agreed that fiscal and other incentives were needed to enable the tea industry to maintain its health. It has been recommended that excise duties and other taxes be substantially lowered for the next three years.

It was strongly recommended that production of packeted tea be increased by reducing the duty on this and that sales tax at auctions should be suspended.

The banking department of the finance ministry has agreed to consider giving concessional loans to tea gardens for the next three years since the industry is largely agricultural-based and hence qualifies for cheap credit given to farmers.

At the conference, the tea industry agreed to give priority to exports so that foreign exchange earnings are maintained at high levels. It also promised to produce tea of better quality so as to obtain more remunerative prices and to plough back more of retained earnings for improved production. The industry will try to increase production of tea in value-added form.

Tea exports traditionally account for about 10 per cent of India's total exports but there is a danger of these falling because of competition from other countries.

India's efforts to bring about an international tea agreement have not succeeded so far, but hopes are that this should be concluded within a couple of years. The next tea conference is to be called by Unctad at Geneva in November 1981.

One big problem that Indian tea gardens are facing is falling profitability owing to low price realisations both at the London and Indian auctions. As a re-

Poultry health plan angers inspectors

BY RICHARD MOONEY

GOVERNMENT PLANS to relax health controls in the poultry industry have angered meat inspectors and the British Veterinary Association.

Under pressure from local authorities, which have to organise hygiene inspection at poultry plants, and the British Poultry Federation, whose members have to pay for it, the Ministry of Agriculture has proposed the removal of the EEC health mark for birds to be sold on the home market and withdradwal of its detailed guidance on numbers of inspectors and veterinary attendance.

The BPF has been complaining recently that unequal application of EEC poultrymeat inspection regulations and government subsidisation of inspection costs in some member countries has put its members at a competitive disadvantage. This remains, it claims, in spite of the granting of a £2m subsidy to help with inspection costs this year.

Last month EEC Agriculture Ministers rejected a Commission proposal to ban all inspection subsidies and to set minimum numbers for inspectors so as to ensure uniform application of the EEC's 1976 poultry meat hygiene directive.

The British Association of Meat Inspectors yesterday described this decision as deplorable. "Law-breaking by Governments is apparently a respectable occupation," it commented, adding that it vigorously opposed any backsliding on health protection.

In the latest issue of its journal, The Veterinary Record, the BVA said the Government plan was "a recipe for chaos."

Sharp falls in coffee

By Our Commodities Staff

COFFEE PRICES fell sharply yesterday as speculators began selling the coffee they bought on the strength of last month's Brazilian frost and rising estimates of the damage done.

The November position on the London futures market was £60 down at one stage but ended £50 lower at £999.50 a tonne.

Brazilian Coffee Institute estimates of the damage, which peaked early this week at nearly 50 per cent of the 1982-83 crop, are being viewed with increasing scepticism. A U.S. Agriculture Department official yesterday dismissed all estimates issued so far as "premature." The Department has begun to review the damage itself and will report by the end of this month.

There is also growing awareness that, whatever the damage to the world's largest national crop, coffee supplies are likely to remain more than adequate to meet demand. Rising production in recent years as not been balanced by rising consumption and world stocks are at a comfortable level.

Row delays cane sugar price rise

By Our Commodities Staff

AFRICAN, Caribbean and Pacific (ACP) countries supplying sugar to the EEC Community under the Lomé Convention are still receiving last year's price, whilst the row over this year's rise continues, it was claimed yesterday.

The ACP group confirmed in Brussels on Monday that it was refusing to accept the Community's offer of a 7.5 per cent rise since it was below the 8.5 per cent increase for EEC beet growers, who however are faced with paying a 2 per cent levy to help meet the cost of surplus production.

Although any increase finally decided will be backdated until July 1, present suppliers are suffering a temporary reduction in their cash flow. Tate and Lyle, the main buyer of cane sugar, last month said that it could only pay the price finally agreed between the ACP and the Commission.

UK GRAIN HARVEST

Barley damage less than feared

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

HARVESTING WINTER barley is drawing to a close in the South of England, and the picture now seems to be that the disastrously low yields reported at the start of harvest have not been repeated all over. The worst of the crops were on the light chalklands and gravel soils. Where the land has more body, yields have been better. The explanation of the abysmally low yields, under a tonne an acre in some cases, must surely be that the crop ran out of moisture at the crucial period during the virtual drought in June and early July.

There are encouraging reports of the variety Maris Otter, which has largely been superceded by the heavier yielding Continental barleys. Yields have not been stated but the maltsters have been offering sizeable premiums to get supplies, a sure indication that the other barleys were not proving satisfactory. A premium of up to £15 per tonne over intervention quality barley is indeed something to notice.

This must be because the buyers are becoming cautious about the prospects of the Spring barleys very few of which have been combined as yet. These had a very bad start and particularly on the heavy lands were looking very poor and stunted. However since the rains of a few weeks ago there has been a marked improvement.

Spring barley usually provides the bulk of maltsters' requirements and should the harvest turn out well the premium could well come down.

The main question mark hangs over the wheat crop which almost everywhere is riddled with foliar diseases in spite of a tremendous expenditure on chemicals by many farmers. In spite of this, rubbed out samples of immature grain are not as bad as I would have thought from the appearance of the standing crop. I don't think the diseases have had nearly as important an influence as the midsummer drought which put the crops under stress in the first place.

As to total outturn, it is difficult to get an objective assessment. Traders are always accused by farmers of talking the harvest up, for obvious reasons as farmers are accused of talking it down. Nevertheless, on the basis of the winter barley harvest, which incidentally matches reports from Europe and the fact that winter wheat probably suffered the same drought stress, I would expect an overall reduction of 10 per cent on last year's 19.3m tonnes which I believe was a record. This would mean a harvest of about 17.4m tonnes, much nearer the average. My assessment includes the fact that Scotland is having a much better harvest than last year. We shall see.

U.S. special trade representative William Brock said he doubts his talks with Soviet deputy foreign trade minister Boris Gordeyev here will produce a new U.S.-Soviet grain pact.

Mr Brock declined to say whether the talks were concentrating on a new five-year agreement or a one-year extension of the present agreement, saying only that both would be acceptable.

Temperatures remained well above the seasonal norm in most European areas of the Soviet Union during the last 10 days of July and winter and spring grain ripened up to two weeks early.

The development of winter grain was seven to 12 days ahead of the norm in the north-west, Volga-Vyatka and northern Ural regions and early spring cultures were 10-15 days advanced.

China top customer for NZ wool

BY DAI HAYWARD IN WELLINGTON

CHINA has become New Zealand's best customer for wool. In the season just ended on July 1 China bought 26,652 tones of NZ wool. This was more than double last season's purchases of 11,310 tonnes.

Sales to Britain, which used to be the single largest buyer of NZ wool remained at the same level as in the 1979/80 season. This year the UK brought 24,817 tonnes compared with 24,832 tonnes.

Last season's leading customer, the USSR, slipped back with purchases dropping from 32,150 tonnes to 21,871 tonnes.

Sales to China have increased dramatically over the past few years. Eight seasons ago China bought only 20,000 bales. In the season just end it bought well over 200,000 bales.

A record wool clip during the past season, of 385,000 tonnes was up from the 357,000—also a record — of the previous season.

In the past four years New Zealand's wool clip has jumped by 25 per cent. This extra production has forced the New Zealand Wool Board vigorously to seek out new markets and to try to increase sales in existing markets.

As part of this marketing drive the NZ Wool Board made credit facilities available to a newly established Chinese textile mill. This was part of China's manufacturing expansion programme.

This arrangement attracted strong criticism from textile manufacturers. At a world textile conference in New Zealand earlier this year the chairman of the International Wool Textile Organisation, Mr Sandy Neville, warned that China's new textile factories might become competitors for the existing textile industry in industrialised countries. He suggested NZ was providing assistance to China, to Chinese mills and to Chinese buyers that was not available to traditional customers.

New Zealand's deal with China was defended by Wool Board chairman Mr Doug McIlraith who said the supply of wool and the financial credit arrangements were a proper commercial operation and reflected normal market forces. The trade deal had been misunderstood and New Zealand had no intention of giving Chinese manufacturers any advantage over other traditional and important customers for the New Zealand wool industry.

China's textile industry was clearly directed towards its own domestic consumption, he added.

The prices for NZ wool this season dropped overall with a decline in the average price of 265c last season to 247c this season. This represents a 7 per cent drop in prices.

However prices firmed over the last few sales of the season. On May 29 the average price at the Dunedin sale was 261c per kilo. A month later at the last sale of the season on June 30 it had jumped to 271c.

The increased demand and higher prices over May and June meant that the Wool Board was able to cut back considerably on its intervention buying for the growing stockpile.

During May the board had to buy only 24,000 bales. It bought even less in June taking only 1.6 per cent of the wool offered.

At the end of the season on July 1 stockpiled wool stood at 340,000 bales. The Board has already disposed of 10,000 bales since the end of the season. Board officials are quick to stress that all the wool sold has been sold at a profit.

Shipments of wool during the season were down—as would be expected with the big increase in the stockpile. In the season just ended, shipments were 245,778 tonnes compared to 253,769 the previous season. The Wool Board and the NZ Government is confident that prices will rise in the current season and they will be watching anxiously the first sale on August 7.

BRITISH COMMODITY MARKETS

BASE METALS

THE CONTINUED weaknes of sterling was the main factor behind rises in base metal prices. Copper rose to base metal prices. Copper rose to £1,032. Tin to £7,910 before reacting to £7,880, Aluminium closed at £704 and Nickel at £3,450. Lead and Zinc were both boosted by heavy speculative and some trade buying, with the former finally £482.5 and the latter £524.5.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	996.5-7	+11.7	1002-4	+18.5
3 months	1026-.5	+15	1032-.5	+20.2
Settlem't	997	+11	—	......
Cathodes				
Cash	990-2	+12	996-8	+18.5
3 months	1017-8	+13.7	1023-4	+21
Settlem't	992	+12	—	......
U.S. Prod	—		*80-5	

Amalgamated Metal Trading reported that in the morning copper cash wirebars traded at £997. Three months £1,027, 28, 27.5, 27, 26.5, 26, 26.5, 26, 26.5. Cathodes, three months £1,017. Kerb: Wirebars, three months £1,026, 26.5. Afternoon: Wirebars, three months £1,024, 25, 25.5, 26, 29, 28.5, 29, 30, 32, 32.5. Kerb: Wirebars, three months £1,031, 32, 33, 32, 32.5, 33. Turnover: 19,675 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7925-35	-72.5	7920-30	—15
3 months	7910-20	+20	7885-90	+10
Settlem't	7935	—70	—	......
Standard				
Cash	7925-35	-72.5	7920-30	—15
3 months	7900-5	+7.5	7885-10	+10
Settlem't	7935	—70	—	......
Straits E.	—	......		......
New York	—	......		

Tin—Morning: Standard cash £7,960, 35, 30. Three months £7,900, 10, 20, 10, 7,900. Kerb: Standard, three months £7,905, 10, 7,900. Afternoon: Standard, cash £7,900. Three months £7,900, 7,890, 85, 80, 84, 70, 80, 85, 90, 85. Kerb: Standard three months £7,890, 70, 75, 80. Turnover: 1,055 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	482.5-3	+10.8	485.5-5.5	+15.5
3 months	481-.5	+9.5	483.5-4	+10.2
Settlem't	483	+11	—	......
U.S. Spot	—	......	*41	......

Lead—Morning: Cash £482, 83.5, 83. Three months £481, 82, 83, 83.5, 83, 81, 80, 81, 82, 81.5, 81. Kerb: Three months £481, 80.5. Afternoon: Cash £485.5, 86. Three months £481, 81.5, 82, 82.5, 82, 83, 84, 83.5, 84. Kerb: Three months £484, 85, 84, 83, 82.5. Turnover: 17,050 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	514-.5	+15.7	519-20	+11.5
3 months	526.5-7	+16.2	531.5-2	+12.5
S'ment	514.5	+15.5	—	......
Primw'ts	—	......	*46.5-8.75	......

Zinc—Morning: Three months £528, 29, 29.5, 28.5, 28, 27, 26.5. Kerb: Three months £526.5, 27, 26.5. Afternoon: Three months £527, 28, 29, 33, 34, 35, 34, 33, 32.5, 32. Kerb: Three months £534, 35, 36, 37, 36, 35. Turnover: 8,850 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficl'l	+ or —
	£	£	£	£
Spot	680-1	+9	681-2	+2.5
3 months	705-.5	+9	704-.5	+5

Aluminium—Morning: Three months £704, 05, 05.5, 03, 02.5, 02, 02.5, 03. Kerb: Three months £703.5. Afternoon: Three months £703, 02.5, 02, 01, 03, 03.5, 04. Kerb: Three months £705, 06, 05.5, 05, 04, 03.5, 03, 04. Turnover: 21,500 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficl'l	+ or —
Spot	3395-405	+20	3405-15	—5
3 months	3435-40	+25	3445-50	......

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

Nickel — Morning: Three months £3,445, 50, 48, 45, 40, 35, 40. Afternoon: Kerb: Three months £3,460. Turnover: 318 tonnes.

SILVER

Silver was fixed 3.8p an ounce higher for spot delivery in the London bullion market yesterday at 455.9p. U.S. cent equivalents of the fixing levels were: spot 826c, up 2c; three-month 865.4c, up 3.4c; six-month 906c, up 4.9c; and 12-month 978c, up 2.5c. The metal opened at 452-457p (825-835c), and closed at 454-459p (822-833c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	455.90p	+3.80	462.p	+3.5
3 months	471.80p	+3.85	478.25p	+3.75
6 months	488.50p	+5.85	—	......
12months	520.80p	+1.20	—	......

LME—Turnover 99 (122) lots of 10,000 ozs. Morning: cash 456.5, 56.3; three months 473.3, 73.5, 72.5, 72.6, 73. Kerbs: three months 472.5. Afternoon: cash 459; three months 474, 74.5, 75, 78. Kerbs: three months 478.

COCOA

Futures remained steady in thin trading conditions and closed at the highs. Actuals business was again scarce while market sentiment remained cautious over the current ICCO talks, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ —	Business Done
Sept	1193-94	+12.5	1195-77
Dec	1236-37	+15.0	1237-19
March	1252-54	+16.5	1252-35
May	1263-64	+18.0	1265-45
July	1270-71	+18.5	1270-55
Sept	1277-80	+20.0	1278-60
Dec	1285-95	+23.5	1285-70

Sales: 7,346 (3,745) lots of 10 tonnes.

ICCO Futures—Daily prices for Aug 3: 98.61 (97.89): five-day average 97.83 (97.33).

COFFEE

With New York locked in limit down Robustas opened lower, reports Drexel Burnham Lambert. As commission house stops were touched values fell further until trade buying halted the descent. Prices recovered following a better New York opening before a lack of follow through support encouraged dealer liquidation and fresh commission house selling.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Sept	990-92	—58.0	1020-985
Nov	997-03	—50.0	1018-990
Jan	1008-09	—49.5	1028-05
March	1015-20	—44.5	1057-04
May	1025-29	—47.0	1030-22
July	1035-38	—38.5	1040
Sept	1020-69	—50.5	—

Sales: 6,528 (4,691) lots of 5 tonnes.

ICO Indicator prices for Aug 3: (U.S. cents per pound): Comp. Daily 111.13 (116.59); 20-day average 106.03 (105.16).

GAS OIL FUTURES

The continuing strength of the dollar caused the market to drift lower in the near months in very thin conditions, reports Premier Man.

Month	Yesterdays close	+ or —	Business Done
	$ U.S. per tonne		
August	296.00	—0.75	299.00-96.00
September	298.75	—0.50	300.50-98.00
October	303.00	+0.50	303.50-02.25
November	306.75	+0.25	306.75-06.00
December	309.50	—	309.50-09.00
January	312.00	—1.00	312.00-12.00
February	315.00	—1.00	315.00-15.00
March	318.00	—1.00	313.00-18.00
April	321.25	—0.25	—

Turnover: 289 (635) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 642 tonnes, the largest since early May. Users displayed much more confidence in the outlook, making extensive purchases in varying styles. Most of the offtake centred on American type qualities.

GRAINS

The market opened unchanged and eased on jobber and country selling. Speculative and commercial buying checked the downward movement and a quiet two-way trade ensued. Wheat remained quiet while barley traded mainly on switches, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday's close	+ or —
Sep	104.35	+0.10	97.15	+0.35
Nov	108.20	+0.10	101.25	+0.40
Jan	112.30	+0.05	105.20	-0.25
Mar	116.20	+0.15	109.10	+0.25
May	119.70	—	112.60	+0.25
July	123.40	—		

Business done—Wheat: Sept 104.25-104.15, Nov 108.25-107.85, Jan 112.30-112.00, March 116.20-115.90, May 119.75-119.70, July no trades. Sales: 234 lots of 100 tonnes. Barley: Sept 97.20-96.50, Nov 101.25-100.60, Jan 105.25-104.75, March 109.10-108.65, May 112.60-112.25. Sales: 487 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent Aug 114.50, Sept 113.50, Oct 115.25 transhipment East Coast sellers. U.S. Hard Winter 13½ per cent Aug 119.75, Sept 120.00 transhipment East Coast sellers. English Feed fob Sept 108.25, Oct-Dec 112, East Coast seller. Maize: French late Aug 126.00 transhipment East Coast seller. S. African Yellow Aug-Sept 95.50 seller. Barley: English Feed fob Aug 98.25, Sept 100.50 East Coast sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 93.00, S. West 92.00, W. Midlands 91.00, N. West 92.00. The UK Monetary Coefficient for the week beginning Monday, August 10 (based on HGCA calculations, using five day's exchange rates), is expected to remain unchanged.

RUBBER

The London physical market opened slightly easier, with good terminal interest throughout the day, closing steady. Lewis and Peat reported a fob July price for No. 1 RSS in Kuala Lumpur of — (—) cents a kg and SMR 20 — (—).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Sept	66.60-66.80	65.70-65.80	66.40
Oct	67.00-67.50	66.10-66.40	66.70
Oct-Dec	67.60-67.80	66.80-66.90	67.70-67.10
Jan-Mar	70.60-70.70	69.10-69.20	70.70-69.20
Apl-Jne	73.50-73.70	71.30-72.00	73.50-72.70
Jly-Sept	76.40-76.50	74.70-75.00	—
Oct-Dec	79.40-79.60	77.70-78.00	—
Jan-Mar	82.50-82.60	81.00-81.10	82.50-81.60
Apl-Jne	85.40-85.70	84.00-84.10	—

Sales: 405 (259) lots of 15 tonnes; 10 (13) lots of 5 tonnes. Physical closing prices (buyers) were: Spot 65.25p (64.75p): Sept 64.25p (63.50p); Oct 65.25p (64.50p).

SOYABEAN MEAL

The market opened with losses of around £1 as new crop development remains favourable, reports T. G. Roddick. Weaker sterling kept prices relatively steady and the market closed at opening levels.

	Yesterdays Close	+ or —	Business Done
	£ per tonne		
August	141.00-46.0	—1.55	—
October	141.00-41.5	—0.50	141.50-40.70
December	145.50-45.7	—0.65	144.00-43.00
February	147.00-48.0	—0.25	147.00
April	147.00-50.0	—2.00	—
June	148.00-52.0	—2.00	—
August	150.00-54.0	—0.50	—

Sales: 58 (69) lots of 100 tonnes.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. Oct 439.0, 499.6, 499.6-499.5; Dec 507.0, 508.4, 506.0-506.0: March 519.5, 520.0, 520.2-519.0: May 526.0, 527.0, 527.0-526.1: July 534.0, 534.5, 534.9-533.5: Oct 531.0, 533.0, 532.0: Dec 534.5, 538.0, untraded. Sales 105.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller business). New Zealand cents per kilo Aug seller 420, nil: Oct 398, 402, 400-399: Dec 404, 407, nil: Jan 406, 407, 407-406: March 416, 417, 418-417: May 426, 428, 427: Aug 435, 438, 436: Oct 436, 440, nil: Dec 438, 440, nil: Jan 441, 444, nil. Sales: 27.

SUGAR

LONDON DAILY PRICE—Raw sugar £221.00 (£226.00) a tonne cif Aug-Sept shipments. White sugar daily price £241.00 (£246.00).

In thin conditions prices, after initially improving, eased back to opening levels and remained quietly steady, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Oct	217.70-17.75	220.10-20.20	220.00-16.50
Jan	214.50-15.25	217.80-18.10	216.00
March	216.50-16.75	219.80-19.95	219.00-16.00
May	217.50-18.20	221.50-21.65	220.50-17.50
Aug	218.70-19.65	222.25-23.00	—
Oct	219.50-21.00	222.25-24.60	221.00
Jan	218.80-19.40	221.50-25.45	219.50-18.75

Sales: 3,138 (4,047) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £360.4 (same) a tonne for home trade and £330.0 (£335.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for Aug 3: Daily price 16.24 (16.60): 15-day average 16.57 (16.64).

POTATOES

LONDON POTATO FUTURES—Initial buying interest was short lived and all positions fell steadily with only November finding reasonable support. Prices finished slightly off the lows in quieter trading conditions than of late, reports Coley and Harper. Closing prices: Nov 98.00, —1.00 (high 101.00, low 97.50); Feb 122.50, —2.50 (high 125.50, low 122.50); April 134.00, —4.50 (high 141.00, low 133.50). Turnover: 677 (1,002) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 72.5 to 76.1. Veal: Dutch Hinds and Ends 119.0 to 124.0. Lamb: English small 56.5 to 63.3, medium 56.0 to 61.0: Imported Frozen: New Zealand PL 55.0 to 55.5, PM 52.5 to 54.0. Pork: English, under 100 lb 41.0 to 52.0, 100-120 lb 42.0 to 49.5, 120-160 lb 37.7 to 47.5.

MEAT COMMISSION—Average Fatstock prices at representative markets on August 4 GB—Cattle 87.19p per kg lw (—0.30). UK—Sheep 132.40p per kg est dcw (+1.48). GB—Pigs 65.13p per kg lw (—2.70).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels, 48 5.10, 56 5.90, 72 5.95, 88 5.35, 112 4.90, 138 4.85, 150 4.40; Californian: 72/113 6.00-6.50. Lemons—Spania: boxes 5.50-6.50, trays 25/50 1.80-2.40; Californian: 95/145 6.50-7.50; Outspan: 80/135 6.00-7.50; Italian: 100/120 6.00. Grapefruit—Outspan: 40 5.15, 48 4.90, 56 4.40, 64 4.10, 72 3.30. Apples—South African: Granny Smith 6.00-7.00, Golden Delicious 6.00-7.00, Starking 6.00-6.50, York 4.00-6.00; Chilean: Granny Smith 3.40-4.00, Starking 4.40-5.00; Italian: Starking 2.60-4.00; New Zealand: Granny Smith 5.50-6.50, Sturmer Pippin 5.00-5.50, Red Delicious 7.50-7.60; Tasmanian: Granny Smith 5.00-5.50, Sturmer Pippin 5.00-5.50, Democrat 7.00, Crofton 7.00, Legana 7.00; U.S.: Red Delicious 11.00-12.00; French: Golden Delicious 40 lb 125/175 3.00-4.50; Spanish: New crop, Golden Delicious 20 lb 2.40-2.80. Pears—Spanish: per 20 lb Williams' 3.00; French: 20 lb Williams' 3.00, Dr Guyot 28 lb 3.00, 20-lb traypack 3.00. Nectarines—Italian: large trays A/C 2.50-4.00. Plums—Spanish: Rosas 3/8 2.50-4.50, per pound Burbank 0.20-0.30. Greengages—French: 9 kilos 2.80; Italian: 12 lb 4.50; Spanish: 11 lb 3.50-4.50. Apricots—Hungarian: 13 lb 2.80. Cherries—U.S.: per pound 0.85-0.90. Grapes—Cypriot: Cardinal 11 lb 3.30, Sultana 11 lb 3.00-3.30, Thompson 11 lb 4.40, Alphonse Lavallee 11 lb 4.40; Spanish: Cardinal 11 lb 2.00-2.20, Alphonse 11 lb 4.00; Italian: Regina 2.50-2.60. Melons—Spanish: 10 kilos yellow 2.60-3.20. Watermelons—Spanish: 15 kilos 3.00-3.50; Italian: 25 kilos 4.50-5.00. Peaches—Italian: large trays AA/C 2.00-3.00; French: A/C 1.40-2.40. Pineapples—Ivory Coast: each 0.40-0.90. Bananas—Colombian: per pound 0.18-0.19. Avocados—South African: 12/16 4.00, Kenyan: 5.00. Tomatoes—Dutch: 13 lb 4.00. Onions—Spanish, Liria 3/5 3.50-4.00; Egyptian: 3.00. Potatoes—Jersey: New, per 55 lb 2.60-2.80. Cypriot: 44-lb bags 5.00-5.10. Capsicums—Dutch: 5 kilos, green 3.50, red 8.50; Italian: 6 kilos, green 3.00. Aubergines—Dutch: 5 lb 4.50. Cabbages—Dutch: white 9.50, red 5.50. Fennel—Dutch: per 7 lb 3.40. Artichokes—French: Globe 24s 4.50-5.00. Endive—French: 12s 7.00.

English Produce: Potatoes—per 55 lb white 2.60-3.00, red 3.00-3.20. Mushrooms—per pound, open 0.50, closed 0.60. Apples—per pound, Bramley 0.14-0.18, Grenadier 0.12. Cauliflowers—per 12, Lincoln 1.50-3.00. Cabbages—per bag, Primo 20 lb 1.50-1.80. Lettuces—per 12, round 1.00-1.40, Cos 10/12 2.00. Tomatoes—per 12 lb. D 3.40, E 3.20. Radishes—per pack of 12 x 8 oz 1.50, bunches of 15 1.50. Onions—per tray x 20 bunches, spring 2.00, 55 lb 40/60mm 2.50-3.30, winter 3.60-4.00. Celery — per 12/24 1.30-1.80. Cucumbers—per 10/20 1.80-2.00. Broad beans—per 24 lb 0.05-0.10. Peas—per 20-lb net 1.80-2.40, per 40 lb 3.60-4.50. Carrots—per 26/28 lb 1.50-2.20. Strawberries—per ½ lb 0.60-0.80. Raspberries—per ½ lb 0.20-0.30. Beetroots—per 28 lb 1.50. Marrows—per box 1.00-1.50. Cherries—per pound 0.50-0.60. Fennel—per 11 lb 3.00.

PRICE CHANGES

In tonnes unless otherwise stated.

	Aug. 4 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt.	$1210/1240	—5	$1145/175
Copper			
Cash w'bar	£1003	+18.5	£869.5
3 mths	£1033.25	+22.25	£894.25
Cash Cathode	£997	+19.5	£863.25
3 mths	£1023.5	+21	£884.75
Gold troy oz	$390	—3	$407
Lead Cash	£486	+15.5	£386.75
3 mths	£483.75	+10.25	£386.125
Nickel	£4087.5	......	£3,850.50
Free mkt	275/295c	......	275/295c
Platin'mtr'y oz	£260	......	£247
Freemkt	£217.70	—0.10	£210.00
Quicksilver	$428/438	......	$425/430
Silver troy oz	455.90p	+3.80	443.00p
3 mths	471.80p	+3.85	456.00p
Tin Cash	£7925	—15	£6,645
3 mths	£7887.5	+10	£6,757.5
Tungsten22.0lb	$144.40	......	$143.64
Wolfrm 22.04lbs	$148/150	......	$149/152
Zinc Cash	£519.5	+11.5	£452
3 mths	£531.75	+12.5	£454.25
Producers	$925	......	$925
Oils			
Coconut (Phil)	$575y	—5	$580
Groundnut		......	
Linseed Crude	£452	......	£452
Palm Malayan	$560x	—7.5	$590
Seeds			
Copra Philip	$370	......	$355
Soyabean(U.S.)	$300	—8.5	$300
Grains			
Barley Fut. Nov	£101.25	+0.4	£95.25
Maize	£126	......	
Wheat Fut. Nov	£108.20	+0.1	£99.85
No2 HardWint	£119.75	+2.25	£116
Other commodities			
Cocoa ship't*	£1229	+12	£1102
Future Dec.	£1236.5	+15	£1046.5
Coffee Ft' Nov.	£995.5	—50	£768.5
Cotton A.Index	84.50c	......	86.10c
Gas Oil Sept.	$298.75	—0.5	$290
Rubber (kilo)	65.25p	+0.5	56p
Sugar (Raw)	£221	—5	£210
Wooltops 64s kl.	394p kilo	......	378p kilo

‡ Unquoted. y Aug-Sept. w July-Aug. z Aug. x Sept. † Per 76-lb flask. * Ghana cocoa. n Nominal.

AMERICAN MARKETS

NEW YORK, August 4

SUGAR CAME under liquidation from commission houses while trade supported the market lightly on a scale-down basis. Lack of origin selling and technical buying moved cocoa into higher ground. Coffee declined sharply on continued long liquidation. Cotton finished higher on light trade buying. Heating oil closed higher on profit taking. Cattle markets came under pressure because of weak cash markets, while the hog and belly markets finished mixed, reported Heinold.

Copper—Aug 81.70 (81.95), Sept 82.80-82.85 (83.15), Oct 84.25, Dec 85.85-86.95, Jan 88.05, March 90.50-90.60, May 92.60, July 95.10-95.35, Sept 97.50, Dec 100.80, Jan 101.75, March 103.85, May 106.00.

*Gold—Aug 391.5-392.0 (388.5), Sept 394.7 (392.4), Oct 398.0-399.0, Dec 406.0-409.0, Feb 413.0-419.0, April 429.1, June 439.6, Aug 450.1, Oct 460.8, Dec 471.7, Feb 482.7, April 493.7, June 504.8.

*Platinum—Aug 352.0 (379.2), Sept nil (nil), Oct 391.5-392.0, Jan 407.5, April 423.0, July 439.0, Oct 455.5. Sales: 1,392.

Potatoes (round whites)—Nov 76.0-76.5 (75.4), Feb 86.5 (86.4), March 90.6, April 106.1-106.4. Sales, 433.

§Silver—Aug 828.5 (826.5), Sept 838.0-839.5 (837.0), Oct 851.4, Dec 877.0-878.4, Jan 889.1, March 913.4, May 927.7, July 962.0, Sept 986.3, Dec 1022.9, Jan 1035.1, March 1059.4, May 1093.7. Handy and Harman bullion spot: 830.00 (same).

Sugar — No. 11: Sept 16.05-16.10 (16.34), Oct 16.07-16.10 (16.21), Jan 16.10, March 16.15-16.20, May 16.35-16.38, July 16.55-16.60, Sept 16.75, Oct 16.85. Sales: 8,450.

CHICAGO, August 4.

Lard—Chicago loose 22.00 (22.25).

Live Cattle—Aug 67.07-67.00 (67.27), Oct 64.20-64.35 (64.87), Dec 65.00-64.90, Feb 64.85-64.90, April 65.27, June 65.80, Aug 66.10.

Live Hogs—Aug 50.15-50.25 (49.97), Oct 48.70-48.50 (48.50), Dec 52.60-52.50, Feb 54.50-54.50, April 53.20, June 55.20, July 55.50, Aug 55.30, Oct 53.90.

‡‡Maize — Sept 332½-332¼ (334½), Dec 340-338½ (342¼), March 356-355½, May 368½-359, July 377-377½, Sept 383-383½.

Pork Bellies—Aug 49.50-49.60 (48.32), Feb 65.70-63.65 (64.00), March 64.25-64.??, May 65.05, July 66.05, Aug 65.65.

†Soyabeans—Aug 711-710 (715), Sept 718-713 (720¼), Nov 739-736, Jan 759-759½, March 780½, May 800, July 812½, Aug 822½.

||Soyabean Meal—Aug 204.5 (206.6), Sept 205.5-205.3 (205.9), Oct 206.5-207.0, Dec 213.0-213.5, Jan 217.0-217.3, March 24.5-225.0, May 29.0-229.5, July 232.0-233.0, Aug 233.5-234.2.

Soyabean Oil — Aug 22.00-22.05 (21.93), Sept 2.45-22.45 (22.34), Oct 22.90, Dec 23.75-23.80, Jan 24.15, March 24.95, May 25.65-25.70, July 26.20, Aug 26.25-26.30.

†Wheat—Sept 406½-407 (404¼), Dec 438¼-439 (435¼), March 466¼, May 482, July 489½-489, Sept 500½.

WINNIPEG, August 4.

§Barley—Oct 134.00 (135.10), Dec 134.60 (135.30), March 138.50, May 141.50.

§Wheat—SCWRS 13.5 per cent protein content cif St Lawrence 251.17.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

Monday's closing prices

NEW YORK, August 3.

††Cocoa—Sept 2035 (2047), Dec 2138 (2147), March 2197, May 2222, July 2247, Sept 2264, Dec 2281. Sales: 1,847.

Coffee—"C" Contract: Sept 115.70-115.75 (133.13), Dec 115.26 (119.26), March 117.33, May 117.43, July 118.25, Sept 118.70, Dec 118.45. Sales, 3,055.

Cotton—No. 2: Aug 75.45 (75.05), Oct 72.20-73.25 (74.73), Dec 74.20-74.30, March 76.60-76.70, May 78.60-78.70, July 80.50, Oct 79.60, Dec 79.80-79.30. Sales: 4,300.

Heating Oil (cents per U.S. gallon)—Sept 0.9487 (0.9548), Oct 0.9643 (0.9710), Nov 0.9820, Dec 0.9901, Jan 1.0146, Feb 1.0300, March 1.0410, April 1.0520, May 1.0599, June 1.0650, July 1.0720, Aug 1.0825, Sept 1.0850, Oct 1.0900. Turnover: 2,626.

Orange Juice—Sept 129.70-130.00 (132.40), Nov 132.60 (135.55), Jan 136.70-137.00, March 138.60-139.00, May 140.50-140.80, July 142.40-142.80, Sept 144.30-144.70, Nov 146.20-146.60. Sales: 1,000.

CHICAGO, August 3.

Chicago Imm Gold—Aug 403.0 (402.0), Sept 392.3-393.0 (408.0), Dec 406.3-407.0, March 421.5, June 436.0, Sept 452.0, Dec 472.0, March 486.3, June 505.0.

NEW ORLEANS.

MILLED RICE FUTURES (cents per cwt of U.S. No. 2 long grain): Sept 21.55, Nov 21.19, Jan 21.50, March 21.80, May 22.30.

EUROPEAN MARKETS

ROTTERDAM, Aug 4.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent Aug 199.50, Sept 203, Oct 210. U.S. No Two Red Winter Aug 159.25, Sept 163. U.S. No. Three Amber Durum Aug 186, Sept 190, Oct 195. U.S. No Two Northern Spring 14 per cent Aug 191.50, Sept 191, Oct 195, Nov 202. Canadian Western Red Spring July 25-Aug 20 228.

Maize—(U.S. $ per tonne): U.S. No Three Corn afloat 152, Aug 151.50, Sept 151, Oct-Dec 155.25, Jan-March 165 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports Aug 294.50, Sept 291, Oct-Nov 290, Dec 297, Jan 301.75, Feb 307.50, March 312.50, April 317, May 319 sellers. Sept 288 buyer tradeless.

Soyameal—(U.S. $ per tonne): 44 per cent protein Aug 249, Sept 250, Oct 252, Nov-March 264. Brazil Pellets afloat 255, Aug 255, Sept 256, Oct 262.50, Nov-March 278.

Sugar—(FFr per tonne): Oct 2414-1420, Nov 2410-2435, Dec 2340-2545, March 2410-2425, May 2440-2470, July 2450-2500, Aug 2450-2520, Oct 2510-2570. Sales at call: 3.

PARIS, Aug 4

Cocoa—(FFr per 100 kilos): Sept 1275-1280, Dec 1330-1344, March 1355 bid, May 1365 bid, July 1372 bid, Sept 1392 bid, Dec 1402 bid. Sales at call: nil.

INDICES

FINANCIAL TIMES

Aug. 3	July 31	Month ago	Year ago
276.00	275.81	254.54	270.58

(Base: July 1, 1952=100).

MOODY'S

Aug. 3	July 31	Month ago	Year ago
1069.6	1075.2	1064.5	1221.5

(December 31, 1931=100)

DOW JONES

Dow Jones	Aug. 3	July 31	Month ago	Year ago
Spot	384.25	387.95	367.01	441.57
Fut'rs	391.27	396.36	367.89	445.96

(Average 1924-25-26=100).

REUTERS

Aug. 4	Aug. 3	M'nth ago	Year ago
1766.1	1764.1	1786.4	1712.6

(Base: September 18, 1931=100)

Banking statistics disappoint and Gilt-edged react afresh but equity leaders continue quietly steady

Account Dealing Dates
Option

*First Dealings	Declara-tions	Last Dealings	Account Day
July 27	Aug 6	Aug 7	Aug 17
Aug 10	Aug 26	Aug 27	Sept 7
Aug 28	Sept 10	Sept 11	Sept 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Investment interest in the *equity sectors remained at an* extremely low ebb yesterday. Attention was again mainly centred on the Gilt-edged sector after Monday's setback which followed sterling's sharp reaction against the dollar.

Trading *conditions* in Gilts remained thin and sensitive, but the longer maturities held up reasonably well around lower opening levels until the 2.30 pm announcement of the July banking statistics. The estimated growth *in sterling M3 came as* a disappointment and prompted dealers to mark prices down by around ¼ more. Final quotations thus recorded losses ranging to ½, and occasionally more. Helped by much easier conditions in the money markets, short-dated stocks moved in the opposite direction and ended with gains of ⅛. The Government Securities Index eased 0.16 more for a two day loss of 0.79, or 1.2 per cent, to 63.69.

The *general* lack of interest in the industrial leaders was reflected in the FT 30-share index, which traded within a point either side of Monday's closing level before settling 0.3 up on the day at 528.6. **Boots** *made the best showing following* a broker's favourable circular on selected stores, while **Plessey** and **GEC** ended with reasonable gains.

Elsewhere in equities, speculative interest was again evident *but the day's company trading* statements failed to enliven the prevailing drab conditions. Banks turned dull awaiting tomorrow's half-yearly statement from **Barclays** while, among Properties, **Slough Estate** closed a shade easier following reports of a large placing through the market.

Demand for Traded options improved and 1.303 deals were completed, almost twice Monday's total and well above last week's daily average of 1.021. Once again, **RTZ** attracted good support and recorded 396 calls, 139 of which were traded in the August 550's. Interest revived in **Imps**, reflecting recovery hopes in the underlying share price, and 366 calls were taken out with the February 60's and 70's attracting 160 and 141 calls respectively.

Banks dull

Sporadic offerings and lack of support made for a dull session in the major clearing banks. *Barclays, which concludes the* interim dividend season tomorrow, closed 6 down at 432p, while **NatWest** cheapened a similar amount to 400p and **Midland** shed 8 to 330p. Elsewhere, adverse comment and the absence of any *bid developments caused* **Grindlays** at 232p, to lose 8 of the previous day's speculative gain of 12. Reflecting the first-half profits recovery, **Sterling Credit** edged forward a penny to 12p.

Reports that beer production *was 7.2 per cent lower* in the first half of the year had little apparent effect on leading issues which ended a shade easier for want of attention. **Bass** shed a couple of pence to 218p, while **Whitbread** ended 3 cheaper at 168p.

Building descriptions closed narrowly mixed after another quiet trade. **Tunnel "B"** firmed 5 to 450p on news that T. W. Ward had increased its stake in the company, while **Wiggins Construct** *put on 4 to 70p following* the chairman's optimistic annual statement. Occasional interest was shown in **Newarthill**, which gained 10 to 398p, while **John Finlan**, still awaiting news of talks with an unnamed party, added 4 to 162p following a favourable Press mention. By contrast, **Wettern Brothers**, at 75p, relinquished all of the previous day's gain of 5 that stemmed from the disposal of Monn Group to Marshalls (Halifax) for £1.3m. Of the leaders, **Blue Circle** softened a couple of pence to 458p, but **Tarmac** improved that much, to 374p.

ICI fluctuated narrowly before closing a couple of pence cheaper on balance at 276p, but **Fisons** attracted late support and improved 2 to 147p. Adverse Press comment clipped 2 from **Rentokil** to 149p ahead of the preliminary results, due today.

Stores quietly firm

A bullish circular from a leading broker prompted some useful gains among Store majors. **W. H. Smith** rose to 166p before settling for a net gain of 4 at 164p, while **Boots** added a like amount to 223p. **Gussies "A"** *ended a couple of pence to the* good at 440p, after 443p. Trading in secondary counters was again described as small with movements usually against holders. Mr Asil Nadir's companies again lacked support and **Polly Peck** *gave up 10 more to 333p;* **Cornell Dresses** fell 5 for a two-day loss of 10 at 160p, while **Wearwell** remained unsettled in the wake of last week's results and dipped 4 more to 82p, after 81p. In contrast, **Fortnum and Mason** *continued to benefit from a Press* mention and rose 10 more in a restricted market to 910p, while further consideration of the preliminary figures lifted **Alfred Preedy** 3 for a two-day gain of 8 at 68p.

Already a penny or two firmer, leading Electricals encountered investment support just before the "House" close and ended with gains ranging to 10. **GEC** improved that much to 752p as did **Racal**, to 443p, while **Plessey** *rallied 6 to 352p and* **Thorn EMI** hardened 3 to 458p. Elsewhere, a re-appraisal of the interim figures prompted a rally of 8 at 428p in **Standard Telephones and Cables** after the previous day's fall of 42 but **Telephone Rentals** remained depressed and eased 10 for a two-day loss of 27 to 373p. Reflecting disappointment with the preliminary results, **Unitech** were sold down to a 1981 low of 206p before a strong rally helped the shares pick up to close only 2 down on the day at 220p. **Electrocomponents** shed 15 to 715p and **Farnell** fell 7 to 508p.

The volume of business in Engineerings left much to be *desired and the closing trend was* mixed. Nervously awaiting today's interim results, **Glynwed** eased 2 to 86p, while **Wagon Industrial** gave up 1½ to 83p, after 82p, on the lower profits. **Adwest** came on offer at 152p, down 7, and **B. Elliott** lost 4 to 144p. Among the leaders, **GKN** hardened the turn to 142p.

Among irregular Foods, **Cadbury Schweppes** firmed 3 to 89p; the interim results are due early next month. Sporadic offerings clipped 5 from **British Sugar** to 332p and 7 from **Avana** to 283p, but soft drinks concern **A. G. Barr** added 4 for a two-day gain of 10 to 252p. Up 10 on Monday on the 72 per cent pre-tax *profits increase and proposed* one-for-one scrip issue, **Hillards** ran into profit-taking and shed 15 to 295p, but **Clifford's Dairies A** firmed 2 for a two-day gain of 7 to 126p on revived bid rumours.

T. W. Ward up again

Continuing talk of a bid from RTZ helped **T. W. Ward** add 4 more making a two-day advance of 17 to 140p. Elsewhere in miscellaneous industrials, **Charles Hill of Bristol** closed 8 higher *at 160p following* news that the cash offer of 125p per share made by consortium headed by Mr A. Milne has closed and acceptances total over 78 per cent. Speculative buying lifted **Brady Industries A** 4 to 67p, while **Peter Black** added a similar amount to 178p. **Johnson Matthey**, however, reflected the recent sharp fall in the bullion price and gave up 7 to 260p, while **Broken Hill Proprietary** eased 10 afresh to 795p on continuing fears *of an imminent* rights issue. Dull Far-Eastern influences prompted falls of between 5 and 8 in **Swire Pacific A**, 157½p, **Hutchison Whampoa**, 206p, and **Jardine Matheson**, 207p. **Cowan, de Groot** lost a couple of pence to 44p following the sharp contraction in annual earnings. The leaders failed to display a decided trend in slack trading. **Unilever** put on 4 to 566p as did **Trafalgar House**, to 106p, but **Pilkington**, 320p, and **Metal Box**, 162p, relinquished 5 and 4 respectively.

Motor Distributors ended a shade easier for choice, falls of 2 being seen in **Hartwells**, 85p, **Caffyns**, 100p, and **Appleyard**, 60p. Components also trended *easier and* **Flight Refuelling**, 370p, lost the previous day's gain of 3 which followed favourable comment.

Trending easier at first, leading Properties attracted support at the lower levels and closed with modest gains in places. **MEPC** finished 2 dearer on balance at 237p, after 233p, while **Land Securities** reverted to the overnight level of 325p, after 320p. **Slough Estates** eased a penny to 136p, on talk that 2¼m shares had been put through the market a few pence below the market price. **Berkeley Hambro** softened 4 to 276p and **Town and City** ¾ to 26¾. Elsewhere, **Hongkong Land** shed 4 to 104p and **Swire Properties** 8 to 118p on Far-Eastern advices.

Oils drift lower

Oils continued to drift lower, **British Petroleum**, 316p, and **Shell**, 388p, softening 2 apiece. **Tricentrol** gave up 4 to 276p and **Lasmo** 5 to 570p. Among the more speculative exploration issues, **Sovereign** shed 10 to 355p and **Berkeley Exploration** 8 to 380p, while **KCA International** lost 6 for a two-day fall of 11 to 151p. **Aran Energy** reacted 7 to 50p, as did **CCP North Sea**, to 218p, while falls of 10 were marked against **Atlantic Resources**, 280p, and **Piet Petroleum**, 230p. Elsewhere, the Canadian **Ranger Oil** jumped 49 to 670p.

RTZ advance

Among Investment Trusts, **Jardine Securities** closed 14 lower at 154p on Far-Eastern advices, but support was forthcoming for **G. T. Japan**, 6 up at 366p, and for **Crescent Japan**, 5 better at 354p. Elsewhere, **Centreway Trust** fell 10 to 110p following the full-year loss and slashed dividend. **Mercantile House**, 458p, lost 7 of Monday's gain of 25 which followed the shares going ex-the rights and scrip issues; the nil-paid closed a shade harder at 132p premium.

London Financials were the centre of interest in otherwise dull mining issues yesterday, with **Rio Tinto-Zinc** leading the way with a gain of 13 to 573p. The activity was largely speculative, and was fuelled by persistent bid rumours.

Interest spilled over into the other London Financials, and **Charter Consolidated** put on 8 to 248p. **Consolidated Gold Fields** closed unchanged at 468p after being down to 465p.

South African Golds showed one or two sizeable falls, but the *Gold Mines index gave up only* 1.7 to 317.9 as many of the declines were offset by rises of a few pence in other stocks.

The marginal mines suffered most among the cheaper issues, with **Stilfontein** 38 lower at 719p, while falls of between 10 and 20 were common to **Grootvlei**, 332p, **Doornfontein**, 995p, **Libanon**, 787p, and **Venterspost**, 428p.

Australians were generally lower in line with overnight domestic markets, but the falls were confined to a few pence, with the notable exceptions of **Peko-Wallsend** and **Pancontinental**, both 15 down at 385p and 355p respectively. **Pacific Copper** edged down 4 to a low for the year of 160p.

The recent strength in the tin price helped **Gopeng** to a rise of 10 to 540p, while Cornwall's **Geevor** gained 5 to 145p.

Amgold reacted to the weakness in the gold price, finally $2 lower at $390, and declined ⅛ to £42.

FINANCIAL TIMES STOCK INDICES

	Aug. 4	Aug. 3	July 31	July 30	July 29	July 27	A year ago
Government Secs	63.69	63.85	64.48	64.21	64.45	64.86	70.15
Fixed Interest	65.78	66.15	66.24	66.31	66.53	66.37	71.88
Industrial Ord	528.6	528.3	528.1	525.9	525.3	528.5	480.9
Gold Mines	317.9	319.6	324.1	314.4	316.7	319.3	377.1
Ord. Div. Yield	5.97	5.98	5.98	6.00	6.01	5.99	7.55
Earnings, Yld. % (full)	10.94	10.96	10.96	11.50	11.53	11.48	18.09
P/E Ratio (net) (*)	11.60	11.58	11.58	10.90	10.88	10.93	6.67
Total bargains	16,387	14,990	14,651	14,030	17,141	17,457	18,125
Equity turnover £m.	—	72.29	78.03	78.44	85.83	101.37	77.11
Equity bargains	—	10,188	9,916	10,041	12,671	12,784	11,304

10 am 527.3. 11 am 528.4. Noon 529.0. 1 pm 529.0.
2 pm 529.0. 3 pm 529.0.
Latest Index 01-246 8026.
*Nil = 10.65.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (29/5)	63.12 (21/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	65.36 (21/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (6/1)	262.6 (25/6)	558.9 (22/5/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Aug. 3	July 31
—Daily		
Gilt Edged Bargains	158.4	135.7
Equities		
Bargains	66.0	64.2
Value	146.1	157.7
5-day Avrge.		
Gilt-Edged Bargains	156.3	151.1
Equities		
Bargains	72.0	74.4
Value	168.1	179.9

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (53)

FOREIGN BONDS (2)
AMERICANS (11)
BANKS (1)
BUILDINGS (1)
CHEMICALS (2)
DRAPERY & STORES (1)
ELECTRICALS (3)
ENGINEERING (3)
INDUSTRIALS (12)
INSURANCE (2)
MOTORS (1)
NEWSPAPERS (1)
SOUTH AFRICANS (1)
TRUSTS (12)

NEW LOWS (21)

BRITISH FUNDS (2)
Treas. 14½pc 1994 Treas. 8¾pc 1997
BANKS (1)
Dawes (G. R.)
BEERS (1)
Scottish & Newcastle
ELECTRICALS (1)
Unitech
ENGINEERING (4)
Elliott (B.) Shaw (Francis)
Priest (Ben.) Walker (C. & W.)
INDUSTRIALS (4)
Carlton Inds. Dunkie Heel
Cowan de Groot Dobson Park
MOTORS (2)
Brown Brothers Caffyns
OIL & GAS (2)
Westfort Pet. Woodside
OVERSEAS TRADERS (2)
Inchcape Paterson Zochonis
MINES (2)
Pacific Copper Tanjong

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	63	14
Corpns. Dom. and Foreign Bonds	2	16	51
Industrials	127	277	967
Financial and Prop.	62	114	326
Oils	11	41	44
Plantations	1	8	14
Mines	30	26	111
Others	53	29	126
Totals	302	574	1,653

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Barclays Bank	432	−6	RTZ	573	+13
Cadbury Schweppes	89	+3	Sears Hldgs.	54	+0½
Land Securities	325	—	Standard Tels.	428	+8
NatWest Bank	400	−6	Tele. Rentals	373	−10
Plessey	352	+6	Tricentrol	276	−4
Racal Elec.	443	+10	Unitech	220	−2

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in the SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
Mercantile Hse. "New"	17	131pm	—	Grindlays Bank	9	240	+12
Hillards	12	310	+10	Midland Bank	9	338	+5
Standard Tels.	11	420	−42	RTZ	9	560	−5
BAT Inds.	10	385	—	Fortnum Mason	8	900	+90
Plessey	10	346	−4	Sun Alliance	8	944	+6
Barclays Bank	9	438	+3	Thorn EMI	8	455	−2
GEC	9	742	—	Ultramar	8	505	−5

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Aug. 3	Aug. 14	Nov. 5	Nov. 16
Aug. 17	Aug. 28	Nov. 19	Nov. 30
Sept. 7	Sept. 18	Dec. 3	Dec. 14

For rate indications see end of Share Information Service

Call options were arranged in Raybeck, Marshall's Universal, Royal Bank of Scotland, Cawoods, Westminster Properties, Keith Collins Petroleum, Premier Oil, Fisons, Hill Samuel, FNFC and Charterhall. A put was done in Lorraine, while doubles were struck in Suter Electric, Premier Oil and BP.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Aug. 4 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon., Aug. 3 Index No.	Fri., July 31 Index No.	Thurs., July 30 Index No.	Tues., July 28 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	349.41	+0.2	10.36	4.67	11.92	348.81	349.42	348.48	347.91	278.39
2	Building Materials (25)	302.33	−0.2	12.37	5.63	9.93	302.70	302.96	301.27	300.67	257.30
3	Contracting, Construction (28)	554.33	−0.2	17.12	5.12	6.79	555.55	553.65	553.91	553.12	416.26
4	Electricals (30)	1166.42	+1.1	7.92	2.37	15.37	1153.67	1161.17	1155.41	1154.31	802.87
5	Engineering Contractors (10)	487.62	−0.4	12.81	5.59	9.32	489.73	489.54	490.57	492.56	336.97
6	Mechanical Engineering (69)	200.22	−0.7	13.09	5.95	9.45	201.73	201.75	201.69	201.37	169.87
8	Metals and Metal Forming (13)	151.19	−1.0	10.52	7.76	12.47	152.77	154.42	154.82	150.98	169.49
9	Motors (21)	97.64	−0.4	1.75	7.17	—	97.83	97.49	97.21	97.47	103.64
10	Other Industrial Materials (18)	373.21	+0.2	9.74	5.37	12.36	372.63	370.91	370.27	370.77	[illegible]
21	CONSUMER GROUP (195)	278.26	−0.1	12.38	5.76	9.97	278.46	277.91	276.59	275.60	234.27
22	Brewers and Distillers (20)	299.43	−0.6	14.87	6.44	8.47	301.23	302.29	302.75	300.22	284.03
25	Food Manufacturing (21)	257.90	+0.3	14.96	6.46	8.06	257.03	255.03	253.41	256.18	212.80
26	Food Retailing (14)	530.22	−0.3	11.45	3.33	10.84	532.19	531.63	532.48	526.95	382.09
27	Health and Household Products (7)	336.37	−0.3	8.19	4.36	14.55	337.25	336.06	334.97	332.34	222.95
29	Leisure (22)	443.17	−0.1	9.72	4.74	12.72	443.44	445.86	443.06	439.92	330.95
32	Newspapers, Publishing (12)	484.29	−0.6	12.85	6.18	11.02	487.07	485.98	485.32	484.90	433.15
33	Packaging and Paper (13)	145.31	−1.0	14.45	7.77	7.29	146.72	145.56	145.37	146.04	122.66
34	Stores (46)	259.15	+0.7	11.27	5.17	11.82	256.38	254.19	253.62	253.18	228.77
35	Textiles (23)	156.41	−1.0	7.55	5.84	18.99	158.01	158.59	158.98	159.92	124.73
36	Tobaccos (3)	263.32	−1.0	19.29	9.48	6.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39	Other Consumer (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (79)	226.86	−0.4	10.91	6.30	12.62	227.67	227.74	227.33	224.57	224.39
42	Chemicals (15)	281.44	−0.4	4.83	6.45	39.73	282.64	283.52	282.67	275.91	[illegible]
44	Office Equipment (6)	109.46	−1.7	15.09	7.51	7.98	111.29	113.05	112.15	110.74	[illegible]
45	Shipping and Transport (13)	546.82	−0.7	16.17	6.95	7.26	550.76	549.27	548.55	550.73	[illegible]
46	Miscellaneous (45)	299.70	+0.2	13.07	5.52	9.39	299.22	298.81	297.41	293.57	284.66
49	INDUSTRIAL GROUP (488)	293.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	331.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (118)	264.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	272.93	−1.3	32.64	6.75	3.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	297.71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	251.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	270.61	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (9)	177.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (8)	460.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (13)	169.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (49)	480.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (109)	312.32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (3)	264.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (20)	421.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (750)	318.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

	PRICE INDICES	Tues., Aug. 4	Day's change %	Mon., Aug. 3	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.55	+0.12	106.43	—	6.24
2	5-15 years	101.89	−0.46	102.36	—	7.69
3	Over 15 years	103.66	−0.54	104.36	0.13	8.33
4	Irredeemables	113.72	−0.51	114.30	0.04	7.43
5	All stocks	103.71	−0.29	104.06	—	7.43
6	Debentures & Loans	81.26	+0.90	81.26	—	6.27
7	Preference	62.25	+0.33	62.04	—	3.94

	AVERAGE GROSS REDEMPTION YIELDS		Tues., Aug. 4	Mon., Aug. 3	Year ago (approx.)
1	British Government Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
11	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
12		15 years	[illegible]	[illegible]	[illegible]
13		25 years	[illegible]	[illegible]	[illegible]
14	Preference		[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Aerospace Eng.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Allied Residential 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Bula Resources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Cambridge Elec.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Comtech 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	East of Scot. Onshore	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Energy Sources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	FAC Enterprise Tst 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hamilton Oil G.B.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hartons 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	ICC Oil services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Jackson Exploratn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Marnet 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Microfilm Repro.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Newcourt Oil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Selecto	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Stanelco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Star Computer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Thorpe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Trident Comp. Serv.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	United Scrap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Utd. Comp. & Tech. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Zygal Dynamics	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Hill Samuel Investment Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381

HS Channel Is. Fd.	[149.2]	159.8	—	3.25
H.S. Fxd. Int. Fd.	[83.0]	87.8	−7.0	14.80
H.S. Intnl. Gth. Fnd.	[117.0]	124.2	—	—

Box 2622, Berne, Switzerland. Telex 33425.

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.(a)(c)

Barclays Unicorn Ltd.(a)(c)(g)

Baring Brothers & Co., Ltd. (a)

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd.(a)(c)(g)

The British Life Office Ltd (a)

Brown Shipley & Co. Ltd. (a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Trust Mngrs. Ltd.

Cannon (James) Mngt. Ltd.

Cap. Sohag Unit Trust Managers

Charities Charifee N/R Funds

Charities Official Invest. Fund

Chieftain Trust Managers Ltd (a) (g)

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Confederation Funds Mgt. Ltd. (a)

Cornhill Fund Managers

Crescent Unit Trust Mgrs. Ltd.

Burlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mgt. Ltd.

Equity & Law Un. Tr. M. (a) (b) (c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends' Provdt. Trust Mgrs. (a) (b) (c).

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.† (a)

Investment Intelligence Ltd. (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.*

M & G Group (y)(c)(z)

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a) (g)

Northgate Unit Trust Managers Ltd. (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a) (b) (c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fund Mgrs. Ltd.

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd.(a)

Sun Alliance Fund Mangt. Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)

Target Tst. Mngrs. Ltd. (a) (g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. Co. (y)

Trustee Savings Bank Unit Trusts (y)

Tyndall Managers Ltd.(a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law Life (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Refuge Investments Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions (a)(b)(c)

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Agio Investments

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

B.I.A. Bond Investments AG

Bank of America International S.A.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

C.S.L. Investments (Jersey) Ltd.

Capital International S.A.

Central Assets Management Ltd.

Charterhouse Japhet

Chieftain Intl. Fund Mgrs.

City of London Trust

Continued on previous page

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FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

1981 High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's	P/E
320	260	ANZ SA1	[illegible]	+3	[illegible]	3.6	4.4	6.2
280	240	Alexanders D. £1	[illegible]	......	17.0	—	10.1	—
[illegible]	[illegible]	Algemene Fl.100	[illegible]	......	[illegible]	1.9	8.8	5.9
405	325	Allen Harvey £1	325	......	23.0	—	10.1	—
•116	100	Allied Irish	100	......	[illegible]	5.5	6.5	3.1
455	376	Barclays £1	432	–6	18.5	5.5	6.1	3.3
408	325	Cater Ryder £1	328	......	23.1	—	10.1	—
250	152	Grindlays	232	–5	4.15	4.1	2.6	10.3
940	565	Hambros	850	......	22.5	—	3.8	—
•165	124	Hong Shng. $2.50	155	–4	NQ50c	—	3.5	—
104	84	King & Shax 20p	92	......	5.75	—	8.9	—
420	292	Lloyds £1	395	–4	17.1	6.1	6.5	3.1

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
262	194	Refuge 5p	240	−2	12.3	—	7.3	—
*400	332	Royal	385	......	24.0	—	8.9	—
144	104	Sedgwick 10p	141	−2	5.0	2.0	5.1	13.9
101	79	Stenhouse	92	−2	4.65	1.8	7.2	9.7
241	180	Stewart Wr. 20p	210	−2	12.0	1.3	8.2	12.2
950	688	Sun Alliance £1	950	+6	33.0	—	5.0	—
321	233	Sun Life 5p	303	−1	g9.0	—	4.2	—
758	543	Taisho Mar. EDR	670	+6	g010%	—	0.2	—
208	185	Trade Indemnity	195	......	6.34	—	4.6	—
£27½	£15⅝	Travelers $2.50	£23½xd	−⅛	Q$2.88	—	6.3	—
367	257	Willis Faber	365	−2	12.0	2.8	4.7	15.3

LEISURE

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
93	72	Anglia TV 'A'	86	−1	15.0	4.6	8.3	3.0
148	116	Assoc. Leisure 5p	116	......	5.25	♦	6.7	♦
84½	61	Barr & W.A.T. 'A'	69	−2	3.0	—	6.2	—
65	30	Black Edgtn. 50p	61	−1	1.0	—	2.3	—
192	121	Boosey & Hawkes	165	......	5.67	—	4.9	—
56	36	Campari Int. 20p	36	......	‡4.0	1.7	‡	(4.6)
60	40	Fairline Boats 10p	48	......	‡03.5	1.2	‡	9.9
58	29	Glasgow Pavilion 10p	31	......	—	—	—	—
46	38	Grampian TV A 10p	39	......	2.75	2.4	10.1	5.8
103	74	HTV Non/Vtg.	80	......	20.0	2.2	17.9	3.8
104	64	Hawley Leisure	69	......	h2.67	2.9	5.5	(8.5)
*270	117	Horizon	240	......	15.0	5.1	3.0	13.3

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPERS, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

NOTES

REGIONAL MARKETS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 24

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

FINANCIAL TIMES
Wednesday August 5 1981

Solidarity calls for mass protest

BY OUR FOREIGN STAFF

NEARLY a million members of the independent trade union Solidarity are expected to join a two-hour strike in Warsaw today over food shortages.

The union called for a mass turn-out yesterday as lorry, bus and tram drivers maintained their protest traffic jam in the centre of the Polish capital and more than 100,000 workers downed tools in two other major cities.

The union also warned that it would call immediate strikes if the authorities tried to clear the blockade.

Meanwhile, the Government and union prepared for talks tomorrow on food supplies and the economic crisis, and the Communist Party's policy-making Central Committee planned a meeting for Saturday.

Mr Mieczyslaw Rakowski, the Deputy Prime Minister, warned late on Monday night that the street blockade and recent marches could mean open conflict. "One spark would be enough to begin a fire which would be difficult to control," he said.

International banks opened talks with Polish officials in Vienna yesterday on the proposed rescheduling of Warsaw's debts due for repayment this year, Reuter reports.

Mr Jan Woloszyn, first vice-president of Bank Handlowy, the Polish foreign trade bank, and a Finance Ministry official met the bankers "mainly to exchange information," a delegate said.

But the drivers who have been jamming one of Warsaw's main crossroads since Monday, and the crowds who gathered to encourage them yesterday, seemed more in the mood for carnival than confrontation.

Police preventing the 300-strong protest motorcade from driving past the Communist Party headquarters were treated to free apples, bunches of flowers and cheers from the crowds.

Thousands of people came out in the sunshine to marvel at the flag, banner and flower-decked convoy. The drivers, who have threatened to stay put at least until the end of today's strike, slept in their cabs overnight and spent the day sunning themselves on the cab roofs.

One of the buses was transformed overnight into a Solidarity office. Another was serving as a cafe yesterday, while publicity conscious union officials established a press centre in a third.

Two of the country's best known comedians put on a free show.

Solidarity, however, recognising the potential dangers, kept the demonstration well in hand. Marshals equipped with walkie-talkie radios and red and white helmets kept a vigil between the crowds and the small contingent of police.

Leslie Colitt adds: Solidarity yesterday appointed one of its more radical officials to head a commission set up by the union to investigate food shortages.

He is Mr Jan "Pistol" Rulewski, a leader from the Bydgoszcz region, who sprang to prominence earlier this year when he was beaten up by police. The attack brought the country to the brink of a national strike.

● Solidarity's ruling praesidium will meet today in Gdansk under Mr Lech Walesa, the *national leader, to decide on its* next moves. At times of crisis the union moves close to its power base in this port near the shipyards.

Mr. Waleso, who has recently tried to reduce tensions between the union and Government, appears to be harening his stance. "This time, if it were up to me we would not retreat," he said. **Picture; Japan may sell rice to Poland, Page 2**

Row over Howe's 'end of recession' claim

By Ivor Owen

WHEN Sir Geoffrey Howe, Chancellor of the Exchequer, told MPs last week that Britain was at the end of the recession he was referring to the fact that "output has now broadly stabilised."

He made this clear last night in a letter to Mr Peter Shore, Labour's Shadow Chancellor, in which he denied having sought to imply that economic recovery was under way.

Sir Geoffrey put this new gloss on his end-of-term report to the Commons in response to the challenge to the Prime Minister 24 hours earlier by Mr Shore, when he called for a clear statement of the Government's official and considered view on the state of the economy.

Mrs Thatcher sought to downgrade the controversy by assigning to Sir Geoffrey the task of replying to Mr. Shore.

The situation had already been confused before a weekend speech by Mr Francis Pym, Leader of the Commons, suggesting that other members of the Cabinet held different views from the Chancellor on the state of the economy.

Sir Geoffrey last night took refuge in semantics by saying that the phrase "end of the recession" could be used in different senses.

He claimed that the most useful meaning of the word "recession" was as a description of a situation in which industrial production and total national output were falling.

"*In saying last Thursday that* 'we are now at the end of the recession' I was referring to the fact that output has now broadly stabilised."

In a reference to the weekend comment by Lord Thorneycroft, Conservative Party chairman, that there was no great sign of the economy picking up, the Chancellor maintained that this was a related but separate question.

While accepting that it was never possible to be precise about such developments, he went on to reaffirm the forecast in the financial statement which accompanied the March Budget that the prospect for domestic output was "one of only gentle recovery" in the period to mid-1982.

Sir Geoffrey added: "The majority of outside commentators' expectations are consistent with that view."

Mr Shore signalled his disappointment last night at the Prime Minister's refusal to take up his challenge directly.

He said: "She cannot run for cover when open conflict breaks out between her senior Ministers."

Editorial comment, Page 14

THE LEX COLUMN

Money worries accumulate

July's 2¼ per cent rise in sterling M3 takes the annualised rate of growth of this measure of the money supply to 17½ per cent over the last five banking months, compared with a 6 to 10 per cent target. But the Bank of England is still oozing reassurances: *it is all the fault* of those wretched civil servants, and the underlying growth is "unlikely to have been outside the target range."

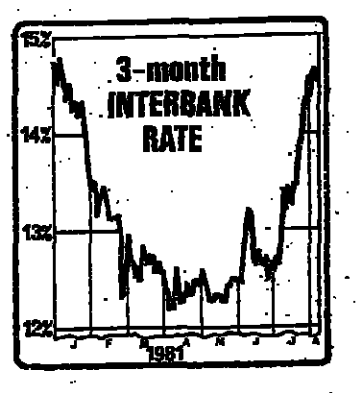
It is becoming clear, though, that some things are very much not on target. Clearing bank lending in July rose by £750m after the normal seasonal adjustment, but since this adjustment assumes that manufacturers paid VAT, and this time most of them did not, the real figure is nearer £1bn.

Even allowing for the likelihood that a good half of this reflects switching by borrowers from money market related or bill finance into much cheaper overdrafts, the rise looks uncomfortably large in a month in which Government receipts fell so far behind schedule that private sector deposits with the clearing banks rose by £1.6bn.

The clearers say that much of the borrowing comes from manufacturers. The fall in sterling must be an encouragement to build up stocks of imported raw materials, or even to borrow to finance dollar deposits. And if, as some ministers observe, the recession is over, it is only natural that the monthly bank lending figure should move up.

The Treasury expects to pay VAT *refunds before it collects* the backlog of unpaid tax, and the process of collection may take months. So it may not be until the end of the year that the markets discover whether there has really been anything *to worry about. Foreign* exchange dealers are unable to wait so long, and the gilt-edged market's unease and suspicion are understandable.

Index rose 0.3 to 528.6



The dollar

Apparent attempts by European central banks to halt the progress of the dollar failed to succeed yesterday, and a further burst of dollar strength in the afternoon sent sterling down to below $1.80 by the close. But sterling was little changed against the EMS currencies, which was perhaps surprising given the poor view taken by dealers of the Treasury's reassurances that the unwinding of the payment arrears caused by the civil service dispute would not lead to serious pressures in the money markets. It is precisely such pressures, of course, which have encouraged just a few bulls of sterling in the past week or so.

In the U.S., meanwhile, pussyfooting is out and the hard line is in. Eurodollar rates firmed yesterday, whetting the appetite of those who calculate that President Reagan's tax cuts can only lead to an extended period of high dollar rates. There was further licking of the lips in anticipation that the U.S. air traffic control strike will disrupt long distance cheque clearing and cause a *bulge in M-1B, though* it is surely naive to think that the Fed will respond by routinely pushing up interest rates.

On the basis of competiveness the dollar is now becoming seriously overvalued, which should substantially benefit the German and Japanese balances of payments in due course. But this is very long term logic and meantime the bandwagon effect is very strong. Thus a British *corporate treasurer* who switched into dollars after the interest rate cuts in the March Budget will have made a 24 per cent currency gain plus, perhaps, 3 points of extra interest income, over and above the sterling return. He is going to be very tempted to let this profit run, rather than switch back into sterling to pay his tax bills.

North Sea

The softening oil price has put downstream oil company operations under extreme pressure, while those operating in the North Sea have found their production cash flow squeezed by tax changes. So, along with refinery closures, the industry is fighting back with a string of announcements about delays in developing new fields. No doubt the mathematics on some marginal fields has been changed as a result of the Budget, but oil companies have not in the past proved averse to making political capital.

In fact the Government is unlikely to shift much, especially as it seems to have found a back-door depletion policy that can cause no offence in the EEC. The oil companies have been told to construct a new oil tax structure that yields the same revenue and are unlikely to agree on how to shift the burden.

Meanwhile, the oil sector has been rallying in the last few weeks in the wake of the Conoco super-auction and signs of the Saudis establishing control in Opec. Nevertheless some of the North Sea independents remain at an unaccustomed discount to assets. Already takeover rumours are back in fashion and small company mergers to take advantage of seventh round drilling rights could add to the incipient excitement.

Hong Kong

The announcement of a U.S.$480m property deal in Hong Kong, billed as the most expensive building sale ever, hardly raised an eyebrow in the colony yesterday. In a city where the development value of two bus depots can spark a takeover war for a major transport company, as happened this week, such transactions look *almost commonplace.*

The purchase price of $5,750 per sq ft is not itself a record, but then the site is not in the most exclusive district. And the height of the building will probably be limited to 12 storeys, producing a steep price of $480 per sq ft of office space—before demolition and development.

So the signs are that, after a quadrupling in values over the past four years, the Hong Kong property boom has not yet run its course. Yet the character of the market is changing, as foreign investors take over the running from domestic groups. Hong Kong Land has a 25 per cent holding in the latest consortium but its equity stake is protected by the fee income it will earn as project manager. In a city where property is bought on margin, prime rate is at 18 per cent and a surplus of space is expected in some districts, the caution of the locals is hardly surprising.

Heseltine's Merseyside initiative

By Ian Hamilton Faley in Liverpool

MR MICHAEL HESELTINE, Environment Secretary, yesterday asked 29 of the City's institutions each to lend the Government an able manager for a year to work on how to solve Britain's urban problem.

The initiative came at the end of a day's "warts and all" tour of Merseyside by institutional leaders representing big banks, building societies, insurance companies and pension funds.

Mr Heseltine would like the managers *to work in teams* with civil servants and local authority personnel. Their salaries would be borne by their employers while on secondment, but Mr Heseltine was unable to say exactly how arrangements would operate.

Mr Heseltine said that there was a ready acknowledgement that such an initiative would be worth while. "The only solutions I can see are based on a greater community of purpose than we have had up to now.

"The people we had here today are the trustees of the nation's savings. The problems of life in the big conurbations are changing and becoming more acute. They affect everyone," he said.

Mr Heseltine is due to talk about the findings of his 2½-*week visit to Merseyside later* today. Yesterday's initiative was a prelude to any further measures to be announced.

The day trip to Merseyside for senior executives of the City's institutions took in the Toxteth riot areas, a drive past docks and factories, and two stops for people to experience the results of planning and housing disasters.

Some visitors were shaken by the housing problems. Mr John Martin, BP pension fund manager, said: "It's very depressing. I have never seen conditions like these before.

"It's difficult to see what we can do when we know that local authorities have been struggling to solve these problems for years. But we'll have to see what is proposed."

Mr Heseltine, microphone in hand, acted as courier for the entire tour, sitting in the front seat of the coach to introduce a series of guides with great local knowledge of each part of the journey. They included leaders of local authorities and chief executives of institutions such as the Dock Company and the Merseyside Development Corporation.

Sir Trevor Jones, Liberal Leader of Liverpool City Council, made sure that there were some revolting warts to look at. At Arkright Gardens smiling faces turned grim as the party walked through a squalid courtyard and encountered the stench of abused and vandalised communal staircases.

"This is modern housing built to Parker-Morris standards," said Sir Trevor. "Just look at it!" He said it was not designed for families and the planning dictums that had encouraged *its building in the 1960s* had now been torn up.

"Come and see all me dead rats," one woman shouted.

There was general agreement among visitors that the day had been a worthwhile eye-opener. Mr Tim Hugh-Bevan, Barclays Bank chairman, said: "It's good for us in the City to get out of our ivory towers and see things from another point of view than London's."

Sir David Pettit, chairman of the Post Office Staffs Superannuation Fund, said: "What is happening in Liverpool is symptomatic of what is going on in the country as a whole.

Texteth: the rules change, Page 15

Impact of Civil Service dispute led to July rise in money supply

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE MONEY supply jumped sharply last month, largely because of the impact on Government borrowing of the Civil Service dispute.

Bank of England figures, published yesterday, indicate that sterling M3, the broadly defined *money supply, rose by about* 2¼ per cent in the month to mid-July.

The rise was larger than the City markets were expecting and further undermined confidence in the gilt-edged market.

The authorities tried to give reassurance that the underlying monetary trends were satisfactory and that the end of the dispute would not result in sudden payments of delayed tax and monetary disturbances which push up interest rates.

The Bank said that the dispute increased central Government borrowing by rather more in July than in previous months—probably by more than £1½bn.

"It is increasingly difficult to estimate how much of this added to bank deposits but during the current target period (since February) the underlying growth of sterling M3, at an annual rate, is unlikely to have been outside the range of 6 to 10 per cent," it said.

This is based on the view that, as the dispute continued, companies were increasingly likely to have used the unpaid tax to increase bank deposits rather than to reduce overdrafts.

The dispute, which has just ended, is estimated by the Treasury to have increased Government borrowing by a total of £6bn-£6½bn.

The markets are apprehensive *about how much of this* tax will be paid and therefore about the underlying borrowing and monetary position. It is pointed out, for example, that the actual rise in sterling M3 since February has been 17½ per cent *at an annual rate.*

It was officially stressed yesterday that the effects of the dispute would take some months to unwind.

The Treasury said that "relatively little of the uncollected tax is though to be in the form of uncleared cheques, and in the next few weeks there will be substantial Value Added Tax repayments. The collection of tax delayed by the dispute will take several months.

"It is unlikely, therefore, that the recovery of revenue delayed by the strike will generate acute money market pressures. In recent money market operations, the Bank of England has been *taking special steps to* avoid pressures arising."

The clear inplication is that the Treasury wants to avoid adding to existing upward pressures on interest rates in the money markets. The threat of an immediate rise in the cost of overdrafts has receded in the last 10 days, but it could re-emerge quickly.

In detail, the main expansionary influence on the money supply last month was the public sector with little overall contribution from external factors. Unlike recent months, there appears to have been no significant increase in UK residents' holdings of foreign currency.

Bank lending to the UK private sector appears to have *risen more sharply than in* recent months. The London clearing banks yesterday reported a rise of £1.8bn last month. But after adjusting for the Civil Service dispute and seasonal factors (such as quarterly debiting of interest), the increase might have been about £700m to £800m.

Moreover, the switching of borrowing to clearing banks from market sources because market interest rates were higher than overdraft rates appears to have accounted for some of the rise in July. In addition, the figures may have been affected by a rundown in the use of commercial bill *finance.*

Manufacturing industry accounted for a large part of the overall rise which would tie in with evidence of a slowdown in destocking.

Banking tables, Page 8

Warning on BSC expansion curbs

BY ALAN PIKE

PRIVATE steel-producers are being told that unless there is prompt action to stabilise the special steels industry, which makes high-value alloy steels, it will be unwise to attempt to restrict further expansion by the British Steel Corporation into special steels.

The full version of a Bank of England-instigated report by Prof. Sir Frederick Warner into the future of the industry concludes that without remedial action a gradual decline will continue.

"In these circumstances, any joint ventures or takeovers which are envisaged by BSC should not be discouraged, as these might prevent a significant part of the UK private sector becoming merely merchants for overseas manufacturers," he says.

Sir Frederick, a chemical and mechanical engineer and president of the British Standards Institution, was asked to conduct his inquiry into the future of the industry after discussions with the Bank.

Some of his findings, including a suggestion that BSC become the single producer of semi-finished stainless steel, and supply the private sector, were outlined last month.

However, the full version of his report shows that he believes there should also be a similar major private-sector producer in the tool and high-speed steel sectors.

He calls for the special steels industry's 80,000 tonnes-a-year capacity to be reduced by about half, and says that "this reduction in capacity may not be possible unless there are several mergers of various groups into which new equity and other funds are introduced."

He proposes that the rationalisation programme be considered by a working party set up by the Bank. But, he warns, unless action is taken to stabilise the market companies are suffering severely from weak prices and import penetrations little will be gained by rationalisation.

"Indeed harm to the industry might result, in terms of having to finance a higher level of debt. In this instance little will be gained by setting up a working party."

The report says that if rationalisation is substantially to reduce capacity, employment in the industry, already down to less than 5,000, will probably have to be cut further.

If private-sector employees claimed similar levels of redundancy pay to those which BSC workers have received, "this might push the cost of rationalisation too high for the industry to afford."

According to the report, "the majority of customers consulted did not regard it as essential that a UK special steels industry should continue to exist and the Ministry of Defence did not consider the industry to be strategically essential."

However, the report expresses concern that without a domestic special steels base, expansion and innovation in industries like aerospace, nuclear power and machine-tools would be reduced.

The report is under consideration in the industry.

A Doomsday Message, Page 14

Japan

Continued from Page One

ber in its economic performance. Real GNP growth was faster, productivity growth had been higher, unemployment had re*mained at about 2 per cent,* private investment had been buoyant, and inflation had been "below the OECD average."

The OECD attributes this achievement to Japan's "successful adjustment process." A dynamic private sector had moved into technologically advanced areas, encouraging better conservation of energy and raw materials used in industry.

Japan's unique system of industrial relations — lifetime employment, company-based unions and the seniority wage scheme—have encouraged wage restraint and the flexible use of labour.

Japan's visible trade performance was extremely strong in the year covered by the report (to the end of April 1981). Exports, stimulated by a weak yen and by falling real costs as a result of higher productivity, rose by almost 17 per *cent, while imports fell by* almost 4 per cent—thanks to the success of energy and raw materials conservation programmes in industry.

"The performance is all the more remarkable since Japan is particularly dependent on imported raw materials and energy," the OECD says. "It is therefore particularly vulnerable to external destabilising influences."

A 20 per cent decline in terms of trade between 1979 and 1980 was more than neutralised by a 25 per cent increase in trade volume.

This year, the OECD forecasts, Japan's trade surplus will be $15.1bn, rising to $16.5bn next year, compared with a $2.1bn surplus in 1980.

Continued from Page 1

Dollar

but quickly came under pressure. It touched $1.79 after lunch before closing at $1.7930-$1.7950, down 65 points from Monday and at its lowest since November 1977. The Bank of England's trade-weighted index measuring the average value of the pound against other currencies fell by 0.1 to 91.4.

The strength of the dollar was *fuelled partly by rising* U.S. interest rates. The three-month Eurodollar rates reflected the trend by moving ⅛ of 1 per cent higher to 19¼ per cent.

The dollar's effective exchange rate, as measured by the Bank of England, rose 0.1

The dollar continued to push ahead against the French franc, closing at FFr 6.0225 compared with Monday's close of FFr 6.0050.

The Swiss franc lost nearly a centime to close at SwFr 2.2060.

Weather

UK TODAY

Warm in the east and south. Cooler in the north west. Cloudy elsewhere.

Midland, SE, E, Cent Southern England
Mist at first. Sunny periods. Max 26C (79F).

Channel Isles, SW England
Cloudy. Sunny intervals. Max 18C (64F).

Wales, NW England
Sunny intervals. Cloudy later. Max 21C (72F).

N Scotland, N Ireland
Sunny intervals. Scattered showers. Max 17C (63F).

Rest of UK
Cloudy. Some rain. Max 19C (66F).

Outlook. Dry and warm. Cloudier and cooler in the north with some rain.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	28	82	L. Ang.†	S	19	66
Algiers	S	28	82	Luxmbg.	F	27	81
Amsdm.	S	25	77	Luxor	S	41	106
Athens	S	36	97	Madrid	F	24	75
Bahrain		—	—	Majorca	S	35	95
Barclna.	S	29	84	Malaga	S	28	82
Beirut	S	29	84	Malta	S	31	88
Belfast	F	17	63	M'chstr.	F	22	72
Belgrd.	S	31	88	Melbne.		—	—
Berlin	S	25	77	Mx. C.†		—	—
Biarritz	F	30	86	Miami†	C	20	68
Bmghm.	S	24	75	Milan	S	30	86
Blackpl.	R	18	64	Montrl.†		—	—
Bordx.	S	33	91	Moscow	C	16	61
Boulgn.	S	23	73	Munich	S	26	79
Bristol	S	22	72	Nairobi		—	—
Brussels	S	25	77	Naples	S	39	102
Budpst	F	29	84	Nassau		—	—
Cairo		—	—	Nwcstl.	C	22	72
Cardiff	S	21	70	N York†	S	24	75
Cas'b'ca	S	39	102	Nice	S	28	82
Cape T.		—	—	Nicosia		—	—
Chicg.†	S	21	70	Oporto	S	29	84
Cologne	S	27	81	Oslo	F	21	70
Cpnhgn.	S	21	70	Paris	S	28	82
Corfu		—	—	Perth		—	—
Denver†	C	23	73	Prague	S	24	75
Dublin	F	20	68	Reykjvk.	C	14	57
Dbrvnk.	S	34	93	Rhodes	S	32	90
Ednbgh.	F	21	70	Rio J'o†		—	—
Faro	S	28	82	Rome	S	35	95
Florence	S	37	99	Salzbrg.	C	23	73
Frankft.	S	28	82	S F'cisc†	F	13	55
Funchal	S	21	70	S. Moritz		—	—
Geneva	S	28	82	Singapr.		—	—
Gibraltar	S	25	77	S'tiago†		—	—
Glasgow	S	19	66	Stckhm.	C	23	73
G'rnsey	F	21	70	Strasbg.	S	27	81
Helsinki	F	19	66	Sydney		—	—
H. Kong		—	—	Tangier	S	30	86
Innsbrk.	F	26	79	Tel Aviv		—	—
Invrnss.	C	19	66	Tenerife	S	25	77
I. o Man	R	15	59	Tokyo		—	—
Istanbul	S	29	84	T'ronto†	F	19	66
Jersey	F	23	73	Tunis	S	31	88
Jo'burg		—	—	Valencia	C	26	79
L. Plms.	S	24	75	Venice	S	32	90
Lisbon	S	30	86	Vienna	S	26	78
Locarno	S	29	84	Warsaw	S	21	70
London	S	22	72	Zurich	S	27	81

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

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V G H

3 Copper gets by with a shilling (5)

TRYST REPRESENT